

16. August 2007

OMX Københavns Fondsbørs  
Nikolaj Plads 6  
1007 København K.

Announcement of financial results, no. 22/2007

## **Interim statement for Skjern Bank, first six months of 2007**

### **Skjern Bank maintains the record level from 2006 in spite of cutthroat competition**

- Business volume increased to DKK 7.9 thousand million (+23 %) and DKK 12.7 thousand million including deposit volume (+ 31 %)
- Lending increased by 33 % to DKK 3.7 thousand million.
- Deposits increased by 24 % to DKK 2.6 thousand million.
- Capital increase in March 2007 improves capital reserves – solvency rate now 12.2 %
- Opening of new branches in Copenhagen and Aarhus.
- The Faeroe Islands new growth area
- New leasing company
- Unchanged expectations for an annual result of DKK 80 – 90 thousand million before taxes.

Yours faithfully,

Carsten Thygesen	Per Munck
Chairman of the Board of Directors	Director

Questions regarding the matter above should be addressed to Per Munck.

## Financial summary

Amounts in 1000 DKK	1.1 - 30.06 2007	1.1 - 30.06 2006	1.1 - 30.06 2005	1.1 - 30.06 2004	1.1 - 30.06 2003	1.1 - 31.12 2006
<b>Profit and loss account</b>						
Net income from interest	66.467	59.349	49.887	44.286	44.482	124.374
Dividend on shares and oth. hldgs.	3.717	2.997	1.055	1.087	754	3.567
Charges and commissions (net)	25.914	26.209	20.683	17.226	15.721	47.790
<b>Net income from int. and charges</b>	<b>96.098</b>	<b>88.555</b>	<b>71.625</b>	<b>62.599</b>	<b>60.957</b>	<b>175.731</b>
Value adjustments	17.691	15.652	19.429	9.035	9.619	54.867
Other ordinary income	404	357	353	775	359	911
Staff costs and administrative expences	63.699	54.464	41.120	37.583	35.328	115.679
Depriciation of intangible and tangible assets	2.430	2.708	2.461	2.014	2.000	21.106
Write-downs on loans etc. (net)	4.674	-1.012	7.093	4.521	8.889	3.077
Profit on holdings in associated and affiliated companies	1.811	121	-1	49	67	387
<b>Operating result</b>	<b>45.201</b>	<b>48.525</b>	<b>40.732</b>	<b>28.340</b>	<b>24.785</b>	<b>92.034</b>
Taxes	9.235	13.587	11.405	8.947	8.404	24.627
<b>Profit for the period</b>	<b>35.966</b>	<b>34.938</b>	<b>29.327</b>	<b>19.393</b>	<b>16.381</b>	<b>67.407</b>
<b>Balance as per 30th June</b>						
	<b>30.06 2007</b>	<b>30.06 2006</b>	<b>30.06 2005</b>	<b>30.06 2004</b>	<b>30.06 2003</b>	<b>31.12 2006</b>
summary						
Total assets	4.777.206	3.643.315	2.584.991	2.203.582	2.117.837	4.148.826
Loans and other debtors	3.660.994	2.754.087	1.824.228	1.634.196	1.482.653	3.149.009
Guarantees etc.	1.561.297	1.516.648	1.259.790	1.004.477	895.507	1.526.399
Bonds	244.518	151.691	96.237	57.883	125.118	234.939
Shares etc.	226.618	169.737	110.716	97.879	91.251	197.996
Deposits	2.640.286	2.129.627	1.895.891	1.632.687	1.554.332	1.942.334
Subordinated capital investments	120.000	145.000	50.000	50.000	75.000	120.000
<b>Capital funds</b>	<b>539.064</b>	<b>397.316</b>	<b>354.837</b>	<b>278.001</b>	<b>244.123</b>	<b>424.092</b>
<b>Capital Base</b>	<b>582.860</b>	<b>468.530</b>	<b>348.418</b>	<b>293.018</b>	<b>265.890</b>	<b>490.953</b>
Total weigthted items	4.791.737	3.899.962	2.764.529	2.311.636	2.073.456	4.389.842

<b>FINANCIAL RATIOS (half Year)</b>	2007	2006	2005	2004	2003
(figures in pct.)					
Solvency ratio	12,2	12,0	12,6	12,7	12,8
Core capital ratio	11,9	10,6	11,5	11,0	10,3
Return on own funds before tax	9,4	12,5	12,0	10,7	12,0
Return on own funds after tax	7,5	9,0	8,7	7,5	8,4
Earning/expense ratio in DKK	1,64	1,86	1,82	1,63	1,57
Interest rate risk	0,8	0,8	0,6	0,1	-0,1
Foreign currency position	7,4	6,1	18,1	11,4	8,8
Foreign currency risk	0,0	0,0	0,0	0,3	0,3
Advances against deposits	141,4	132,2	96,2	105,9	100,2
Statutory liquidity surplus	45,4	50,1	73,5	55,3	87,2
Total large commitments	171,9	129,6	81,3	76,1	88,1
Accumulated impairment ratio	1,4	1,5	2,0	3,8	3,3
Impairment ratio for the period	0,1	0,0	0,2	0,3	0,4
Increase in loans etc. for the year	16,3	32,6	4,9	9,3	10,0
Ratio between loans etc. and capital funds	6,8	6,9	5,4	5,8	6,1
(value pr share 100 DKK)					
Earnings per share (result period)	173,9	185,8	156,0	106,5	99,2
Book value pr share	2.444	2.113	1.772	1.433	1.246
Rate on Copenhagen Stock Exchange	4.150	4.100	3.250	2.150	1.527
Market value/earning per share	23,9	22,1	20,8	20,2	15,4
Market value/book value	1,70	1,94	1,83	1,50	1,23

## **Skjern Bank maintains record in spite of cutthroat competition**

The depositors in Skjern Bank have during the first six months of 2007 benefited from the interest rate war raging during the spring period, whereas the borrowers can still borrow at absolutely favourable prices. The development is a sign of cutthroat competition and shows that the bank has benefited to a relatively modest extent from the increases in interest rates during the past year. Thanks to a continued marked growth in business volume and continued handsome investment gains, Skjern Bank has, however, succeeded in maintaining a development of the result for the first six months of 2007 at the same level as last year's record figures. The result before taxes was DKK 45.2 thousand million against DKK 48.5 thousand million the previous year. The result after taxes was, however, slightly up from last year, i.e. DKK 36.0 thousand million against DKK 34.9 thousand million.

Continued handsome growth in the total business volume with deposits and lending as the primary driving forces led to an increase in the net interest earnings for Skjern Bank during the first six months of 12 % to DKK 66.5 million. Lending has increased by as much as 33 % to DKK 3.7 thousand million, and deposits by as much as 24 % to DKK 2.6 thousand million. Compared to the development in earnings, this shows the toughened competitive situation where the interest differential remains under heavy pressure.

At the end of the first six months, Skjern Bank had furthermore issued guarantees to a value of DKK 1.6 thousand million compared with DKK 1.5 thousand million the previous year, corresponding to a modest increase of 2.9 %.

### **Growth in business volume to 7.9 thousand million**

At the end of the first six months of the year, the total business volume calculated as the sum of lending, deposits and guarantees amounted to DKK 7.9 thousand million, corresponding to an increase of 23 %. The development since the turn of the year accounts for 19 %, which indicates a continued good influx of new customers and good growth in all existing branches.

If you include the value of deposits, the business volume amounts to DKK 12.7 thousand million as at 30.6.2007 compared with DKK 9.7 thousand million on the same date in 2006, corresponding to an increase of more than 30 %.

### **Continued large willingness to invest**

Earnings from charges and commission have been maintained at the high level of 2006. It is in particular remarkable that the customers are still buying and selling shares in large numbers. The total number of transactions increased from about 30,000 during the first six months of 2006 to about 44,000 this year. The arranging of real estate loans, however, faced a slight decrease.

In total, Skjern Bank's earnings from charges and commission during the first six months amounted to DKK 28.3 million, which is largely unchanged compared with the same period last year.

This leads to net earnings from interest and charges of DKK 96.1 million during the first six months, corresponding to an increase of 8.5 %.

### **Cost development**

During the first six months, the costs of staff and administration amounted to DKK 63.7 million, i.e. an increase of DKK 9.2 million, or 17 %. During the first six months of 2007, the bank faces the costs of completing the new headquarters of the bank at Banktorvet in Skjern, amounting to more than DKK 6 million. However, this is balanced by the fact that during the first six months of 2006, costs amounting to about the same amount were booked in connection with the bank's 100th anniversary. The increase in costs should be seen in the light of the fact that Skjern Bank has expanded the number of employees

from 118.5 to 134 calculated as fulltime-staff – corresponding to 13 %, just as the bank has had increased development and marketing costs.

#### **Changes in allowances for depreciations**

After several years with an unusual development in the extent of depreciations where the allowances for depreciation have been positive (= reversal of allowances for depreciation regarding bad debts), Skjern Bank has during the first six months of 2007 made allowances for depreciation at DKK 4.7 million regarding its lending. As a consequence of changed rules regarding depreciation, this item will fluctuate much more significantly from one period to the next in the future.

#### **Still considerable earnings from shares**

In return, the bank's adjustments for changes in the market value of shares for the first six months once more show considerable earnings of DKK 17.7 million.

Capital gains for shares amount to DKK 15.9 million, just under 8 million of which constitute an adjustment of the bank's shares in sector-related companies, whereas the remaining earnings of about DKK 1.8 million are divided between price adjustments for bonds and adjustment of exchange rates.

#### **Taxes**

The calculated tax has been fixed in the light of the reduced tax percentage of 25 (28% in 2006).

Adjustment has been made for earnings which are not taxable and costs which are not deductible, just as a positive adjustment has been made of the amount set aside for deferred taxes. (From 28 % at the end of 2006 to 25 % now).

In the light of the above, the effective tax rate has been calculated at 20.4 %

#### **Result at the same high level as last year**

The total result before taxes for the first six months of 2007 can consequently be calculated at DKK 45.2 million compared with DKK 48.5 million last year. After taxes, calculated at DKK 9.2 million, the net result for the period is DKK 35.9 million compared with DKK 34.9 million during the first six months of 2006.

The management of the bank considers the result absolutely satisfactory.

#### **Equity**

With a view to managing the bank's capital reserves and safeguarding the possibilities of continued growth and at the same time setting aside funds to meet the new capital adequacy requirements, Skjern Bank implemented an expansion of the bank's equity in March 2007 by nominally DKK 3,760,000 at a price of 500. The emission was fully subscribed and gave the bank net proceeds of DKK 93 million which will, together with the interim results, increase the equity of the bank to DKK 539 million as at 30.06.07.

The bank has subordinated debts of a total of DKK 120 million, and the total basic capital was at the end of the six-month-period DKK 583 million.

The solvency rate has been calculated at 12.2 %.

The core equity amounts to 11.9 % .

The result of the period equals a return on equity of 18.8 % before taxes and 15 % after taxes calculated on an annual basis.

**Solvency**

Neither the solvency rate nor the core equity percentage can immediately be compared with previous years, as they have been calculated according to the new Basel II rules and have been prepared according to the new regulation on capital requirements issued by the Danish Financial Supervisory Authority.

The current profits of the year, which have been included in the basic equity according to § 129 (1) (5) of the act on financial activities, have been confirmed by the external auditors.

**Shareholder situation**

At the end of the first six months of the year, Skjern Bank had 12,590 shareholders. This means that the number of shareholders has increased over the past year by 1,560, and more than half of the bank's clients are now owners of the bank.

Kaj Wulff Paustian, Monaco, has on 30 March 2007 informed Nordic Exchange (Københavns Fondsbørs) that he had increased his shareholding to 77,000 shares, corresponding to 6.83 % of the total share capital.

**New headquarters completed**

At the end of April the bank started using its new headquarters in Skjern, and in the course of August the project was completed by the opening of the new square - Banktorvet.

In the course of the third quarter of the year, the erection of a new building will be initiated for the branch in Varde at the address Bøgevej 2. A two-storey building will be established with bank premises on the ground floor and flats for rent on the first floor. The new bank branch is expected to be ready for use in the second quarter of 2008.

**New leasing company**

In co-operation with a number of local banks, Skjern Bank has as at 1 July 2007 established a new, joint leasing company. The company is established with a cash capital of DKK 5.0 million and is expected to be ready for operation during the third quarter of 2007.

**Opening in Copenhagen and Aarhus**

To strengthen the bank's future development outside the core area of the bank in west and south Jutland, an estimated date has now been fixed for the opening of the previously announced new branches in Copenhagen and Aarhus.

Around 1 November, the bank expects the Hellerup branch to open at Strandvejen 143 in Hellerup. Malene Hjorth has been appointed manager of the branch. She comes from a large bank and has many years' experience within the market area. The new branch will have 6-7 employees from the start. The first employees have already started in temporary premises at Tuborg Havn.

In Aarhus the bank expects to open at the turn of the year or during the first quarter of 2008 at the property Mejlborg at Kystvejen 65. The management is being appointed, and the rest of the employees in a team of about 6-7 people will be appointed in the course of the last six months of the year.

**The Faeroe Islands – new growth area**

In 2006 and in particular during the first six months of 2007, the number of new clients from the Faeroe Islands has been very satisfactory – particularly within the investment area. Consequently, the bank has in April appointed a local employee as a consultant. Subsequently, we have registered a massive growth in the number of clients, and in the light of this we see the Faeroe Islands as a strategic growth area for the bank.

**The management strengthened**

As a consequence of the growth, not least the decision to expand outside west and south Jutland, it has been decided to strengthen the bank's general management by appointing a deputy or vice-director. The recruiting firm of Kjærulf og Partnere is in charge of the recruitment process.

**Subsidiary to be closed down**

The Board of Directors of Skjern Bank has decided to close down the subsidiary Vestjysk Invest in the course of the second half of 2007.

**Expectations for the year as such unchanged**

Skjern Bank retains its expectations for a result for the entire 2007 of DKK 80-90 million before taxes.

**Financial calendar**

11. October     Quarterly report after the third quarter

This document is an unauthorised translation of the Danish original. In the event of any inconsistencies the Danish version shall apply.

## Profit and loss 1st January to 30th June

	<b>2007</b>	<b>2006</b>	<b>31.12.06</b>
	DKK 1.000	DKK 1.000	DKK 1.000
Interest receivable	126.866	83.472	189.145
Interest payable	60.399	24.123	64.771
<b>Net income from interest</b>	<b>66.467</b>	<b>59.349</b>	<b>124.374</b>
Dividend on shares and other holdings	3.717	2.997	3.567
Charges and commissions receivable	28.321	28.175	51.715
Charges and commissions payable	2.407	1.966	3.925
<b>Net income from interest and charges</b>	<b>96.098</b>	<b>88.555</b>	<b>175.731</b>
Value adjustments	17.691	15.652	54.867
Other ordinary income	404	357	911
Staff costs and administrative expenses	63.699	54.464	115.679
Depriciation of intangible and tangible assets	2.430	2.708	21.106
Write-downs on loans etc. (net)	4.674	-1.012	3.077
Profit on holdings in associated and affiliated companies	1.811	121	387
<b>Profit on ordinary activites before tax</b>	<b>45.201</b>	<b>48.525</b>	<b>92.034</b>
Tax	9.235	13.587	24.627
<b>Profit for the financial year</b>	<b>35.966</b>	<b>34.938</b>	<b>67.407</b>



## Balance by 30th June

	<b>2007</b>	<b>2006</b>	<b>31.12.06</b>
	DKK 1.000	DKK 1.000	DKK 1.000
<b>Assets</b>			
Cash in hand and claims at call on central banks	175.523	114.788	277.015
Claims on credit institutions and central banks	353.003	364.861	175.822
Loans and other debtors at amort. cost price	3.660.994	2.754.087	3.149.009
Bonds at current value	244.518	151.691	234.939
Shares etc.	226.618	169.737	197.996
Holdings in associated enterprises	2.048	511	696
Holdings in affiliated enterprises	1.969	1.929	2.010
Land and buildings (total)	60.187	61.536	56.272
Investment properties	8.211	12.009	8.075
Domicile properties	51.976	49.527	48.197
Other tangible assets	5.493	3.409	4.175
Actualtax assets	16.122	0	21.702
Temporary acquired assets	239	239	239
Other assets	30.117	19.777	28.201
Prepayments and accrued income	375	750	750
<b>Total assets</b>	<b>4.777.206</b>	<b>3.643.315</b>	<b>4.148.826</b>
As security for clearing etc. the bank has mortgaged bonds from its total bond holding to the Danish National Bank to a total market price of	0	0	0

## Balance by 30th June, continued

	2007 DKK 1.000	2006 DKK 1.000	31.12.06 DKK 1.000
<b>Liabilities</b>			
<b>Debt</b>			
Debt to credit institutions and central banks	1.388.401	848.335	1.581.498
Deposits and other debts	2.640.286	2.129.627	1.942.334
Bonds issued at amortised cost	1.797	0	1.797
Actual tax liabilities	0	10.459	0
Other liabilities	71.370	96.133	65.647
Accruals and deferred income	3.473	520	144
<b>Total debt</b>	<b>4.105.327</b>	<b>3.085.074</b>	<b>3.591.420</b>
<b>Provisions for commitments</b>			
Provisions for deferred tax	7.815	10.892	8.314
Provisions for loss on guarantees	5.000	5.033	5.000
<b>Total provisions for commitments</b>	<b>12.815</b>	<b>15.925</b>	<b>13.314</b>
<b>Subordinated capital investments</b>	<b>120.000</b>	<b>145.000</b>	<b>120.000</b>
<b>Capital funds</b>			
Share capital	22.560	18.800	18.800
Aggregate revaluation reserves	2.293	9.578	2.293
<i>Revaluation reserves</i>	2.293	9.578	2.293
Other reserves	90.476	208	481
<i>Statutory reserves</i>	481	208	481
<i>Other reserves</i>	89.995	0	0
Retained earnings	423.735	368.730	402.518
<b>Total capital funds</b>	<b>539.064</b>	<b>397.316</b>	<b>424.092</b>
<i>of which proposed dividend</i>	0	0	4.700
<b>Total liabilities</b>	<b>4.777.206</b>	<b>3.643.315</b>	<b>4.148.826</b>

<b>Contingent liabilities</b>			
<b>Guarantees etc.</b>			
Finance guarantees	234.025	218.153	264.845
Guarantees against losses on mortgage credit loans	496.400	455.913	483.828
Registration and conversion guarantees	267.779	675.589	620.020
Other guarantees	563.093	166.993	157.706
<b>Total guarantees</b>	<b>1.561.297</b>	<b>1.516.648</b>	<b>1.526.399</b>
<b>Other contingent liabilities</b>			
Other liabilities	17.356	14.722	14.601
<b>Total other contingent liabilities</b>	<b>17.356</b>	<b>14.722</b>	<b>14.601</b>

## Notes 30th June

	<b>2007</b> DKK 1.000	<b>2006</b> DKK 1.000
<b>Interest receivable</b>		
Claims on credit institutions and central banks	7.390	3.237
Loans and other debtors etc.	115.463	77.829
Bonds	3.806	2.170
Total other financial instruments	169	232
of this		
Foreign exchange contracts	-38	252
Interest-rate contracts	207	-20
Other interest receivable	38	4
<b>Total interest receivable</b>	<b>126.866</b>	<b>83.472</b>
Of which income from genuine purchase and resale transactions included	0	0
<b>Interest payable</b>		
Credit institutions and central banks	24.644	5.252
Deposits	32.262	16.457
Bonds issued	46	0
Subordinated capital investments	3.431	2.414
Other interest payable	16	0
<b>Total interest payable</b>	<b>60.399</b>	<b>24.123</b>
Of which income from genuine sale and repurchase transactions included	0	0
<b>Charges and commissions receivable</b>		
Securities trading and custodies	12.940	14.019
Payment management	2.408	2.380
Charges from loan applications	4.587	4.563
Commissions on guarantees	6.303	5.416
Other charges and commissions	2.083	1.797
<b>Total charges and commissions receivable</b>	<b>28.321</b>	<b>28.175</b>
<b>Value adjustments</b>		
Bonds	875	1.634
Shares	15.883	13.530
Foreign currency	1.541	1.054
Other financial instruments	-608	-566
<b>Total value adjustments</b>	<b>17.691</b>	<b>15.652</b>
<b>Staff costs and administrative expenses</b>		
<b>Salaries and remuneration of board of dir., managers etc.</b>		
Board of managers	1.011	922
Board of directors	263	256
Board of representatives	2	0
<b>Total salaries and remunerations of board etc.</b>	<b>1.276</b>	<b>1.178</b>

## Notes 30th June, continued

	2007 DKK 1.000	2006 DKK 1.000
<b>Staff costs</b>		
Wages and salaries	25.876	23.575
Pensions	2.673	2.314
Social security costs and payroll tax	2.937	2.719
<b>Total staff costs</b>	<b>31.486</b>	<b>28.608</b>
Other administrative expences	30.937	24.678
<b>Total staff costs and administrative expenses</b>	<b>63.699</b>	<b>54.464</b>
<b>Number of employees</b>		
Average number of employees during the 1st half of the year converted into full-time employees	134,0	118,5
<b>Write-downs on loans and other debtors</b>		
Acc. write-downs as per beginning of the year	70.347	66.247
Write-downs during the first half year (net)	6.220	128
Reverse entry - write-downs made in prev. years	-3.173	-1.106
<b>Accumulated write-downs as per 30th June</b>	<b>73.394</b>	<b>65.269</b>
Accumulated individual write-downs	68.394	60.236
Accumulated group write-downs	5.000	5.033
<b>Accumulated write-downs as per 30th June</b>	<b>73.394</b>	<b>65.269</b>
<b>Loans etc. with suspended calc. of interest</b>		
Total Loans etc. with suspended calc. of interest by 30th June	20.663	26.641
<b>Profit on holdings in associated and affiliated companies</b>		
Profit on holdings i associated companies	1.852	0
Profit on holdings i affiliated companies	-41	121
<b>Total Profit on holdings in associated and affiliated companies</b>	<b>1.811</b>	<b>121</b>
<b>Profit brought forward</b>		
Profit brought forward beginning of the year	402.518	350.883
Distrution of dividend (net)	4.635	9.349
Trade with own shares in the first half year (net)	-10.114	-7.742
The Result for the first half year	35.966	34.938
<b>Profit carried forward by 30th June</b>	<b>423.735</b>	<b>368.730</b>
<b>Share Capital</b>		
Number of Shares at DKK 20 each	1.128.000	940.000
<b>Share Capital</b>	<b>22.560</b>	<b>18.800</b>
<b>Own capital shares</b>		
Number of shares (pcs)	25.195	14.455
Nominal value hereof	504	289
Market value hereof	20.912	11.853
Own shares proportion of share capital (per cent)	2,2%	1,5%

### Endorsement of the Quarterly Report by the Management

The Board of Directors and the Management Board have, this date, discussed and approved the semi-annual report for 2007 for Aktieselskabet Skjern Bank.

The semi-annual report has been prepared in accordance with the provisions of the Danish Financial Business Act as well as further Danish disclosure requirements for quarterly reports for listed companies. In our opinion, the accounting policies applied are proper and the estimates made are sound, and the quarterly report consequently gives a true and fair view of the bank's assets, liabilities and financial position as at 30th June 2007 as well as of the result of the bank's activities during the first half year of 2007.

### Accounting policies

The quarterly report is presented in accordance with the Danish Financial Business Act, including the executive order on financial reports for credit institutions and investment companies. The quarterly report is also presented in accordance with other Danish disclosure requirements for quarterly reports from financial businesses listed on the stock exchange by Copenhagen Stock Exchange. The accounting policy used is unchanged as related to the annual report for 2006.

The quarterly report has not been audited, and no review has been made.

Skjern, the 15th August 2007.

Executive Board of  
Aktieselskabet Skjern Bank  
*Per Munck*

/ *Jens Peder Larsen*  
Chief Accounting Executive

Skjern, the 15th August 2007.

### The Board of Aktieselskabet Skjern Bank

*Carsten Thygesen*  
Chairman

*Jens Chr. Ostensen*  
Vice-Chairman

*Børge Lund Hansen*

*Holger Larsen*

*Metha Thomsen*

*Lars Andresen*