



# Annual Report 2010

(Extract)



## Satisfactory progress and acceptable operations results in Skjern Bank

- Annual profit before tax of DKK 10.2 million
- Core earnings calculated to DKK 80.3 million
- Positive rate adjustment of DKK 21.8 million
- Provisions for loans DKK 73.1 million
- First guarantee scheme expenses of DKK 23.5 million
- Loans and deposits from customers are unchanged
- Solvency 16.3% and individual solvency requirement of 10.5% = 155% cover
- Strong liquidity reserves of DKK 1 billion, equivalent to 199%
- Solid customer satisfaction and customer loyalty to the company
- Core earnings in 2011 are expected to be in the range of DKK 80 to 95 million



## Content

Management's Report .....	4
Endorsement of the Annual Report by the Management .....	5
Profit and loss account .....	6
Proposal for distribution of profit .....	6
Balance Sheet .....	7
Information on changes in equity .....	8
Notes .....	9
5 years in summary .....	27
5 years financial ratios .....	28
Financial Calendar 2011.....	29
Committee of representatives .....	30
List of board members' managerial offices.....	30

## Management Discussion & Analysis 2010

### Main activity

Skjern Bank's principal activity is the offering of banking products to private, commercial and institutional clients, and public companies. The customers are based primarily in West and Southwest Jutland, and the Hellerup area north of Copenhagen. The bank wants to offer customers a wide product range, combined with professional advice.

### 2010 Highlights

A pre-tax profit of DKK 10.2 million is acceptable, and the bank's development is evaluated to be mostly satisfactory. The bank's management has approved the 2010 accounts and confirms that the bank is again on track, following two difficult years.

Going into 2010, the bank projected core earnings in the range of DKK 85 to 100 million, which is realised with DKK 84 million before the state's guarantee provision.

The effects of the international financial crisis on the bank's market areas have declined during the year, but are still noticeable in the level of activity of many companies and thus on the number of jobs.

The bank realised 2010 core earnings and cost consumption largely in line with 2009 levels. Impairment losses are substantially reduced to DKK 73 million, which is still a relatively high level. However, it can be said that the write-downs are still primarily due to provisions rather than direct losses.

Bank Package I also affected costs in 2010, with expenses of DKK 23 million. Total expenses of the Bank Package I's two year term until September 2010 thus totalled DKK 59 million.

The return of the securities portfolio and foreign exchange positions amounted to DKK 22 million, of which 12 million came from share holdings, primarily due to favourable equity markets earlier this year. The bank's huge cash reserves have largely been placed in short-term bonds, which made a decent contribution to an overall gain of DKK 7 million.

Income from foreign exchange positions was DKK 3 million.

The bank's capital base did not make any extraordinary changes during the year, and the capital base is estimated at DKK 619 million. The solvency is thus 16.3%. The individual capital requirements have been calculated after the FSA announced a requirement of 10.5%, and the bank thus has solid capital coverage of 55%.

The so-called "oversight diamond" which was introduced during the year as the benchmark of the future for banks' financial health, is calculated from 31st December 2010 and shows that the bank is within the established value limits in all five areas.

### Outlook for 2011

The bank looks forward optimistically to 2011 and expects to continue the progress realised in 2010.

The bank has established its strategy and performance-related objectives for the coming year in its strategic plan 2013.

Based on careful organic growth, ambitious targets for 2011 have been established, focusing on strengthening the bank's position as the independent and local West and Southwest Jutland bank that makes a difference to the local areas.

The hard-pressed Danish competitiveness combined with restrained domestic consumption discourages investment for both business and private consumers. Job creation in the bank's market area will most likely not be at a high enough level to reduce unemployment in 2011.

The private client in the West and South Jutland area still has a fairly robust economy that is supported by relatively low and stable housing prices and general financial diligence. The bank does not foresee any major problems with this client group.

The bank has close ties to the agricultural industry, which constitutes significant lending exposure. Over time, the business has been relatively unproblematic and has only resulted in losses for the bank to a limited degree.

Parts of the Danish farming community do, however, currently face difficulties. The sector's restrictive environment, the economic exchange terms, and a high debt burden are expected to result in a significant number of farms in 2011 not achieving overall profitability. The bank will continue – with loyalty and respect – and in close cooperation with each farmer, to aim to find the best possible solutions to the difficult challenges that will arise.

The bank's activities are developing well, based on new customers and, in particular, due to the fact that current customers increasingly entrust the bank to handle more of their banking operations. The additional focus on the financing of alternative energy, which was launched in 2009/2010, has resulted in many new customer relationships, and will be an important area for the bank in 2011.

Overall, 2011 is expected to see a moderate increase in the bank's business volume, as well as an increased activity in the securities and overseas areas.

We will continue to focus on maintaining a balanced relationship between total deposits and loan volume, as the bank strategically does not want to increase its dependence on external funding.

The bank expects its core earnings for 2011 to be in the range of DKK 80 to 95 million. The need for write-downs is expected to remain significant, albeit declining in comparison to 2010, so profit before tax is expected to be at a much higher level than in 2010.

### Audit

The Danish version of the Annual Report for 2010 is equipped with internal audit statements and independent auditors' statement. The statements are without reservations and complementary information.



## Endorsement of the Annual Report by the Management

We have today discussed and approved the annual report for the period 1 January – 31 December 2010 for Skjern Bank A/S.

The annual report has been prepared in accordance with the Danish legislation on financial activities, including executive order on financial reports for credit institutes and stock broker companies, etc. Furthermore, the annual report has been prepared in accordance with additional Danish requirements regarding information in annual reports for financial companies listed on the Stock Exchange.

We consider the accounting practice chosen to be appropriate so that the annual report gives a correct impression of the bank's assets, liabilities, financial position as at the 31st December 2010, and of the result of the bank's activities for the accounting year 1 January – 31 December 2010.

The management report includes a correct presentation of the development of the bank's activities and financial conditions together with a description of the material risks and uncertainties by which the bank may be affected.

The annual report is recommended for approval by the General Meeting.

*Skjern, the 10th February 2011*  
Executed Board of  
Skjern Bank A/S

*Per Munck*

/

*Michael Fabricius*  
Chief Financial Officer

*Skjern, the 10th February 2011*

*The Board of Skjern Bank A/S*

*Carsten Thygesen*  
Chairman

*Jens Chr. Ostersen*  
Vice-Chairman

*Børge Lund Hansen*

*Jens Okholm*

*Finn Erik Kristiansen*

*Lars Andresen*

*Metha Thomsen*

## Profit and loss account

Note:		2010	2009
		(DKK 1,000.)	(DKK1,000)
2	Interest receivable.....	256,456	299,258
3	Interest payable.....	98,336	131,310
	<b>Net income from interest.....</b>	<b>158,120</b>	<b>167,948</b>
	Dividend on shares and other holdings.....	2,053	3,405
4	Charges and commission receivable.....	54,986	50,843
	Charges and commission payable.....	6,332	4,206
	<b>Net income from interest and charges.....</b>	<b>208,827</b>	<b>217,990</b>
5	Value adjustments.....	21,835	29,311
	Other ordinary income.....	1,199	1,825
6	Staff costs and administrative expenses.....	131,655	129,227
	Depreciation and write-downs on intangible and tangible assets.....	2,535	4,078
	Other operating expenses.....	13,286	16,099
	Operating expenses.....	0	569
	Guarantee commission first guarantee scheme.....	13,286	15,530
9	Write-downs.....	73,085	218,119
	Write-downs on loans and outstanding accounts etc.....	73,085	207,868
	Write-downs regarding first guarantee scheme.....	0	10,251
10	Profit on equity investments in non-affiliated and affiliated companies.....	-1,117	-892
	<b>Result before tax.....</b>	<b>10,183</b>	<b>-119,289</b>
11	Tax.....	2,482	-28,443
	<b>Net-result for the financial year.....</b>	<b>7,701</b>	<b>-90,846</b>

## Proposal for distribution of profit

Result for the financial year.....	7,701	-90,846
Total amount available for distribution.....	7,701	-90,846
Dividends.....	0	0
Transferred to/from retained earnings.....	7,701	-90,846
<b>Total distribution of the amount available.....</b>	<b>7,701</b>	<b>-90,846</b>

# Balance Sheet

Note:

2010

2009

(DKK 1,000)

(DKK 1,000)

## Assets

	Cash in hand and demand deposits with central banks .....	179,374	125,316
12	Receivables at credit institutions and central banks .....	435,179	345,033
13	Loans and other receivables at amortised cost .....	3,623,212	3,677,046
14	Bonds at fair value .....	843,058	424,636
15	Shares etc. ....	185,014	186,323
16	Holdings in associated enterprises .....	5,934	6,807
16	Holdings in group enterprises .....	6,745	0
17	Land and buildings (total) .....	69,987	70,116
	Investment properties .....	9,361	9,361
	Owner-occupied properties .....	60,626	60,755
18	Other tangible assets .....	4,959	7,290
	Current tax assets .....	0	5,443
19	Deferred tax assets .....	49,570	53,303
	Other assets .....	89,966	85,788
	Prepayments .....	1,550	1,200
	<b>Total assets</b> .....	<b>5,494,549</b>	<b>4,988,301</b>

## Liabilities

	<b>Debt</b>		
20	Debt to credit institutions and central banks .....	274,734	571,862
21	Deposits and other debts .....	3,569,671	2,990,783
	Deposits .....	2,825,796	2,990,783
	Other debts .....	743,875	0
	Bonds issued at fair value .....	0	24,104
22	Bonds issued at amortised cost .....	775,544	555,357
	Other liabilities .....	132,767	127,354
	Prepayments .....	367	185
	<b>Total debt</b> .....	<b>4,753,082</b>	<b>4,245,541</b>
	<b>Provisions</b>		
13	Provisions for loss on guarantees .....	0	13,747
	<b>Total provisions</b> .....	<b>0</b>	<b>13,747</b>
23	<b>Subordinated debt</b> .....		
	Subordinated loan capital .....	222,023	221,352
	Hybrid core capital .....	134,523	134,273
	<b>Total subordinated debt</b> .....	<b>356,546</b>	<b>355,625</b>
	<b>Equity</b>		
24	Share capital .....	22,560	22,560
	Revaluation reserves .....	417	417
	Proposed dividend .....	0	0
	Retained earnings .....	361,944	350,411
	<b>Total equity</b> .....	<b>384,921</b>	<b>373,388</b>
	<b>Total liabilities</b> .....	<b>5,494,549</b>	<b>4,632,676</b>

## Information on changes in equity

Note:

	2010	2009
	(DKK 1,000)	(DKK 1,000))
24		
Share capital beginning-of-year .....	22,560	22,560
<b>Share capital end-of-year .....</b>	<b>22,560</b>	<b>22,560</b>
Revaluation reserves beginning-of-year .....	417	7,992
Additions related to reassessed value .....	0	0
Other movements .....	0	-7,575
<b>Revaluation reserves end-of-year .....</b>	<b>417</b>	<b>417</b>
25		
Retained earnings beginning-of-year .....	350,411	433,109
Profit or loss for the financial year .....	7,701	-90,846
Sale of own funds .....	17,940	16,111
Other increase .....	0	7,575
25		
Purchase of own funds .....	-12,689	-14,375
Distributed dividend .....	0	0
Taxation concerning own shares previous years .....	-1,419	-1,163
<b>Retained earnings end-of-year .....</b>	<b>361,944</b>	<b>350,411</b>
<b>Total equity .....</b>	<b>384,921</b>	<b>373,388</b>





## Notes

	Page
1 Accounting policies .....	10
2 Interest income .....	13
3 Interest expenses .....	13
4 Fees and commission income .....	13
5 Value adjustments .....	13
6 Staff costs and administrative expenses .....	13
7 Incentive and bonus schemes .....	14
8 Audit fee .....	14
9 Write-downs on loans and receivables .....	14
10 Profit on equity investments in non-affiliated and affiliated companies .....	14
11 Tax .....	14
12 Receivables at credit institutions and central banks .....	15
13 Loans and other debtors at amortised cost price .....	15
14 Bonds at fair value .....	16
15 Shares etc. ....	16
16 Equity investments in non-affiliated and affiliated companies .....	16
17 Land and buildings .....	17
18 Other tangible assets .....	17
19 Deferred taxation .....	17
20 Debt to credit institutions and central banks .....	17
21 Deposits and other debts .....	18
22 Bonds issued at fair value .....	18
23 Subordinated debt .....	18
24 Share capital .....	19
25 Own capital shares .....	19
26 Contingent liabilities .....	20
27 Lawsuits etc. ....	20
28 Related parties .....	20
29 Capital requirement .....	21
30 Current value of financial instruments .....	21
31 Risks and risk management .....	22
32 Credit Risk .....	22
33 Market risks and sensitivity information .....	24
34 Derivate financial instruments .....	25
35 Cooperative agreements .....	26
36 5 years in summary .....	27
37 5 years of financial ratio .....	28

## 1. Accounting Policies

The annual report is prepared in accordance with the Financial Business Act, including the notes on financial reports for credit institutions and investment companies, etc. The financial statements have been prepared in accordance with additional Danish disclosure requirements that apply to listed financial companies.

The annual reports are presented in Danish kroner and rounded to the nearest DKK 1,000.

The accounting policies remain unchanged since last fiscal year.

In connection with the amendment of the notice of financial reports of credit institutions and investment companies, etc., on January 11, 2011, the bank has not fully applied the new notice for the Annual Report 2010. The bank has applied only § 93a, § 134 and § 129 for the presentation of the Annual Report 2010, even though the changes are only effective for Annual Reports filed on January 1, 2011 onward.

### General notes on recognition and measurement

Assets are recognised on the balance sheet when it is probable that future economic assets will come to the bank and the assets can be measured reliably.

Liabilities are recognised on the balance sheet when they are probable and can be measured reliably.

On initial recognition, assets and liabilities are measured at fair value. However, intangible and tangible activities at the time of initial recognition are measured at cost. Measuring after initial recognition is done as described below for each item.

The recognition and measurement methods take into account foreseeable risks and losses that arise before the Annual Report is presented, and which confirm or deny conditions that existed on the balance sheet date.

In the income statement, income is measured as it is earned, while expenses are recognised at the amounts that apply to the financial year. Increases in value in occupied properties are accounted for directly to equity.

Purchases and sale of financial instruments are recognised on the day of the trade, and the recognition ends when the right to receive/deliver the cash flows from the financial asset or liability expires, or if it is transferred, and the bank in all material respects has transferred all risks and rewards of ownership. The Bank has not applied the rules for reclassification of certain financial assets from fair value to amortised cost price.

### Determination of fair value

Fair value is the amount at which an asset could be exchanged or a liability settled in a trade under normal circumstances, and between informed, willing and non-related parties.

The fair value of financial instruments for which an active market exists is set at the closing price on the balance date, or, if there is no

such price, another publicly available rate that can be assumed to be the closest equivalent.

For financial instruments where no active market exists, fair value is found using generally accepted valuation techniques based on observable current market data.

### Accounting estimates

When determining the carrying amounts of certain assets and liabilities, estimates are used with regards to how future events may affect the value of the assets and liabilities at the balance sheet date.

The estimates are based on assumptions which management believes are reasonable, although not certain. Final actual results can therefore differ from the estimates, since the bank is exposed to risks and uncertainties which may affect them.

Areas involving a higher degree of assessments/assumptions and estimates include write-downs on loans and receivables, unlisted financial instruments, and provisions.

### Foreign currencies

Assets and liabilities in foreign currencies are listed at the Danish National Bank exchange rate on the balance sheet date.

Currency spot transactions are revalued at spot price on the balance sheet date.

Currency translation adjustments are made as needed throughout the income statement.

## Income statement

### Interest, fees and commissions, etc.

Income and expenses from interest are recognised in the income statement for the period to which they belong.

Interest received on loans in which a write-down has been made is listed for the written-own portion of the loan under the item "Impairment losses on loans and receivables", and is depreciated and deducted in the following year's write-downs.

Provision and fees that are an integral part of the effective interest rate on a loan are recognised as part of the amortised cost, and therefore as a proportion of interest income from loans.

Provisions and fees that are part of continuous service are accrued over the term.

Other fees and commissions, as well as dividends, are recognised as income when they are received.

### Staff and administrative expenses

Expenses for staff and administration include expenditure on wages and salaries, social charges, pension plans, computer costs etc.

### Pension plans

The bank has entered into defined pension plans with the majority of employees. For the plans based on contribution, fixed contributions are paid to an independent pension fund. The bank is under no obligation to make further contributions.

**Tax**

Income tax for the year, which is made up of current tax and deferred tax expenses, is accounted for in the annual accounts with the portion attributable to the year's results, and directly to owners' equity for income that can be attributed directly to owners' equity. Current tax payable, or unpaid current tax, is included in the balance sheet as tax calculated on the taxable income adjusted for prepaid tax.

Deferred tax is recognised on all temporary differences between the book and tax values of assets and liabilities. Deferred tax assets, including the tax value of tax loss carry forwards, are recognised in the balance sheet using the value that is expected to be realised, either against deferred tax liabilities or against net assets.

The bank is taxed jointly with all Danish companies where it has a controlling influence. Current Danish corporate tax is allocated between the jointly taxed Danish companies in proportion to their taxable income (full allocation with reimbursement for tax losses).

**Balance sheet****Dues with credit institutions and central banks**

Receivables are measured at current value.

**Loans**

The "Loan" item consists of loans on which payment has been made directly to the borrower.

Loans are measured at amortised cost, which normally corresponds to the nominal value less front fees, etc., and write-downs for that have been incurred but not yet realised.

Loans, etc. are written down either individually or on a group basis when there is objective evidence suggesting inability to pay, resulting in a reduction in the expected future cash flows, established from an assessment of the most likely outcome.

For loans and receivables that are not individually written down, a collective assessment is made of whether the group is subject to an objective indication of impairment.

The group assessment is made based on groups of loans and receivables with similar credit risk characteristics. There are 11 groups divided into one group of public authorities, one group of residential customers and 9 groups of business customers, where the business customers are broken down by industry.

The group assessment is made by a segmentation model developed by the Association of Local Banks, which is responsible for its ongoing maintenance and development. The segmentation model determines the connection within each group between actual losses and a number of significant explanatory macroeconomic variables through linear regression analysis. The explanatory macroeconomic variables include unemployment rates, housing prices, interest rates, and number of bankruptcies/forced sales etc.

The macroeconomic segmentation model is basically calculated on the basis of loss data for the entire banking sector. The bank has therefore concluded that the model estimates accurately reflect the credit risk of the bank's lending portfolio.

For each group of loans and credits, an estimate is made which reflects the percentage of impairment associated with a given group of loans and receivables at the reporting date. By comparing the individual loan's current loss risk with the loan's original loss risk and loan loss risk at the beginning of the current accounting period, the individual loan's contribution to the collective impairment is found. Impairment is calculated as the difference between the carrying value and the discounted value of expected future payments.

Changes in impairment charges are regulated in the income statement under "Impairment of loans and receivables, etc."

**Bonds and shares etc.**

Bonds and shares traded on a registered stock exchange are measured at market rate. The market rate is the official closing price on the balance sheet date.

Mortgages held to maturity are measured at amortised cost.

Unlisted shares are taken at fair value on the balance sheet date.

Value adjustments on bonds and equities are recognised in the income statement under "Adjustments".

**Investments in subsidiaries and associates**

Investments in subsidiaries and associates are recognised and measured under the equity method, which means that investments are measured at the proportionate share of the net asset value at the end of the year.

The balance sheet includes the bank's share of corporate profit.

**Land and buildings**

Land and buildings include

- "Occupied properties", which consists of the properties from which the bank conducts banking activities, and
- "Investment property", which consists of all other properties owned by the bank.

**Occupied properties** are measured at revalued amounts, which is the fair value measured by the return method, less accumulated depreciation and any impairment losses. Depreciation is recognised in the income statement. Reassessments are made so frequently that there are no significant deviations from fair value.

Increases in occupied properties are revalued by the amount recognised in the revaluation reserve under equity. If an increase in the revalued amount is matched by an earlier fall, and thus is recognised in income in prior years, the increase is included in the income statement.

A decrease in the revalued value is included in the income statement, unless it is a reversal of previous revaluations.

Occupied properties are depreciated over 50 years on the basis of cost, adjusted for any value changes.

**Investment properties** are measured at fair value according to the return method.

Ongoing changes in fair value of investment property are recognised in the income statement.

**Other tangible fixed assets**

Other tangible fixed assets, including assets used in operations, are recognised at cost.

Subsequently, other tangible assets and the conversion of leasehold improvements are valued at cost, less accumulated depreciation.

A linear depreciation is carried out over 3-5 years on the basis of cost.

Depreciation and impairment losses are recognised in the income statement.

**Other assets**

Other assets include outstanding interest and commissions, as well as the positive market value of derivative financial instruments.

**Prepayment items**

Prepayments posted under assets include costs relating to subsequent financial years.

Prepayments posted under liabilities include prepaid interest and guarantee provisions relating to subsequent financial years.

**Amounts owed to credit institutions and central banks/deposits and other debt issued bonds/subordinated debt**

These items are measured at amortised cost.

**Other liabilities**

Other liabilities include due interest and commissions as well as the negative market value of financial instruments.

**Provisions**

Commitments, guarantees and other liabilities whose size and timing are uncertain are recognised as provisions when it is probable that the obligation will require an outflow of the bank's financial resources, and the obligation can be reliably measured. The liability is determined as the present value of the costs that must be incurred to meet the obligation.

Guarantees are not measured lower than the commission received for guarantee accrued over the guarantee period.

**Treasury shares**

Purchase and sales prices and dividends on shares are recognised directly under equity.

**Derivative financial instruments**

All derivative financial instruments, including forwards, futures and options in both bonds, shares as currency and interest rate and currency swaps are measured at their fair value on the balance sheet date.

Adjustments are included in the income statement.

Positive market values are recognised under other assets, while negative market values are recognised under other liabilities.

**Contingent obligations**

The bank's outstanding guarantees are reported under "Contingency obligations". Outstanding guarantees, which are believed to lead to

a loss for the bank, are listed under "Provisions for losses on guarantees" and expensed in the income statement under "Impairment losses on loans and receivables".

**Financial highlights**

Financial highlights are presented in accordance with accounting order requirements.

## Note

	2010 (DKK 1,000)	2009 (DKK 1,000)
<b>2 Interest income</b>		
Receivables at credit institutions and central banks .....	4,982	16,502
Loans and other receivables .....	231,880	262,821
Loans (interest conc. the written-down part of loans) .....	-7,200	-7,000
Bonds .....	21,649	15,360
Other derivative financial instruments, total .....	5,145	11,259
of which		
Currency contracts .....	4,310	11,065
Interest-rate contracts .....	835	194
Other interest income .....	0	316
<b>Total</b> .....	<b>256,456</b>	<b>299,258</b>
<b>3 Interest expenses</b>		
Credit institutions and central banks .....	3,225	25,265
Deposits .....	52,167	80,483
Bonds, issued .....	19,625	13,610
Subordinated debt .....	23,319	11,784
Other interest expenses .....	0	168
<b>Total</b> .....	<b>98,336</b>	<b>131,310</b>
<b>4 Fees and commission income</b>		
Securities trading and custody accounts .....	17,767	12,985
Payment services .....	4,869	4,475
Loan fees .....	19,192	13,870
Guarantee commission .....	6,669	13,930
Other fees and commission .....	6,489	5,583
<b>Total</b> .....	<b>54,986</b>	<b>50,843</b>
<b>5 Value adjustments</b>		
Bonds .....	6,867	16,496
Total shares .....	11,940	10,719
- Shares in sector companies etc. ....	3,709	4,449
- Other shares .....	8,231	6,270
Foreign currency .....	2,775	3,279
Other financial instruments .....	253	-1,183
<b>Total</b> .....	<b>21,835</b>	<b>29,311</b>
As the bank essentially operates deposits and lending activity in its local areas, the division of market areas is not specified for notes 2-5		
No income or expenses are entered from genuine purchase or repurchase contracts in notes 2 and 3.		
<b>6 Staff costs and administrative expenses</b>		
<b>Salaries and remuneration of board of directors managers etc.</b>		
Board of managers .....	2,830	2,830
Management board .....	660	563
Audit Committee .....	90	0
Committee of representatives .....	183	161
<b>Total salaries and remuneration of board etc.</b> .....	<b>3,763</b>	<b>3,554</b>
<b>Staff costs</b>		
Wages and salaries .....	62,730	63,483
Pensions .....	7,075	7,342
Social security costs .....	626	726
Payroll tax .....	6,584	6,316
<b>Total staff costs</b> .....	<b>77,015</b>	<b>77,867</b>

## Note

	2010 (DKK 1,000)	2009 (DKK 1,000)
<b>Staff costs and administrative expenses (continued)</b>		
<b>Other administrative expenses</b>		
IT expenses .....	23,151	22,644
Rent, electricity, heating etc.....	3,106	2,847
Postage, telephony etc.....	1,927	2,030
Other administrative expenses.....	22,693	20,285
<b>Total other administrative expenses .....</b>	<b>50,877</b>	<b>47,806</b>
<b>Total staff costs and administrative expenses.....</b>	<b>131,655</b>	<b>129,227</b>
With reference to the conditions for participation in the second guarantee scheme for banks in Denmark, it should be noted that tax has been deducted from remuneration of the executive board in the amount of DKK 1,415 in connection with the preliminary statement of taxable income for the 2010 accounting period.		
<b>Pension and severance terms for the executive board.</b>		
The executive board receives 11 % of salary grade 31 in pension annually through a defined contribution plan with a pension insurance company. Skjern Bank has no pension obligation towards the executive board as payment is made on an ongoing basis to a pension company.		
Skjern Bank shall pay retirement pension for six months in case of termination benefit, if any. Resign due to age retirement pay Skjern Bank severance compensation equal to six months salary in force from the age of 62 year.		
Skjern Bank's term of notice towards the executive board is 36 months, in special cases 48 months.		
The executive board's term of notice towards the bank is 6 months.		
<b>Average number of employees during the financial year converted into full-time employees</b>		
Employed in credit institution business .....	133	142
Employed in other business .....	4	4
<b>Total .....</b>	<b>137</b>	<b>146</b>
7 <b>Incentive and bonus schemes</b>	The bank does not have any incentive or bonus schemes	
8 <b>Audit fee</b>	Total fee to the firms of accountants, elected by the annual meeting, that perform the statutory audit .....	
	1,466	1,948
	579	1,217
9 <b>Write-downs on loans and receivables</b>	Write-downs and provisions during the year .....	
	127,459	211,707
	-61,027	-14,392
	14,922	28,213
	-7,200	-7,000
	-1,069	-410
<b>Total .....</b>	<b>73,085</b>	<b>218,118</b>
10 <b>Profit on equity investments in non-affiliated and affiliated companies</b>	Profit on equity investments in non-affiliated companies .....	
	-873	-892
	-244	0
<b>Total .....</b>	<b>-1,117</b>	<b>-892</b>
11 <b>Tax</b>	Calculated tax of the income for year .....	
	0	0
	2,329	-28,970
	153	527
<b>Total tax .....</b>	<b>2,482</b>	<b>-28,443</b>
	-5,732	-6,169
<b>Effective tax-rate.....</b>	(Pct.)	(Pct.)
Current tax rate .....	25.00	25.00
Non-liable income relating from increasing in reassessed value .....	-4.14	0.05
Non-deductible write-downs and depreciations.....	3.48	-0.32
Non-liable income and -deductive costs .....	-1.29	-0.44
<b>Total effective tax rate.....</b>	<b>22.87</b>	<b>24.29</b>
The re-adjustment of tax for previous years is not incorporated in this statement		

## Note

	2010 (DKK 1,000)	2009 (DKK 1,000)
<b>12 Receivables at credit institutions and central banks</b>		
Deposits with central banks .....	399,941	309,926
Receivables at credit institutions.....	35,238	35,107
<b>Total</b> .....	<b>435,179</b>	<b>345,033</b>
<b>Remaining period</b>		
Demand.....	414,181	322,200
Up to 3 months .....	0	0
Over 1 year and up to 5 years .....	20,998	22,833
<b>Total</b> .....	<b>435,179</b>	<b>345,033</b>
No assets related to genuine purchase and resale transactions included		
<b>13 Loans and other debtors at amortised cost price</b>		
<b>Remaining period</b>		
Claims at call .....	1,558,994	716,487
Up to 3 months .....	61,654	249,604
Over 3 months and up to 1 year.....	858,627	894,124
Over 1 year and up to 5 years .....	741,561	1,510,944
Over 5 years.....	402,376	305,887
<b>Total loans and other debtors at amortised cost price</b> .....	<b>3,623,212</b>	<b>3,677,046</b>
No assets related to genuine purchase and resale transactions included		
<b>Individual write-downs and provisions</b>		
Write-downs beginning of the year.....	270,154	138,757
Write-downs during the year .....	126,112	194,673
Reversal of write-downs made in previous years .....	-61,027	-14,392
Write-downs in previous years - now lost .....	-70,800	-48,884
<b>Write-downs end of year</b> .....	<b>264,439</b>	<b>270,154</b>
<b>Total write-downs</b> .....	<b>277,707</b>	<b>282,075</b>
<b>Group write-downs and provisions</b>		
Write-downs - beginning of the year.....	11,921	5,138
Write-downs during the year .....	1,347	6,783
<b>Group write-downs - end of year</b> .....	<b>13,268</b>	<b>11,921</b>
<b>Guarantees</b>		
Provisions beginning of the year .....	13,746	3,495
Provisions during the year .....	10,254	10,251
Transferred to liabilities.....	-24,000	0
<b>Guarantees end of year</b> .....	<b>0</b>	<b>13,746</b>
<b>Loans etc. with suspended calculation of interest</b> .....	<b>226,660</b>	<b>185,363</b>
<b>Loans and other debtors with an objective indication of impairment included in the balance sheet at a book value greater than zero</b>		
<b>Individual written-down loan</b>		
Balance for loans and other debtors before write-downs .....	676,377	695,940
Write-downs.....	-264,439	-270,154
<b>Balance for loans and other debtors after write-downs</b> .....	<b>411,938</b>	<b>425,786</b>
<b>Group written-downs loans</b>		
Balance for loans and other debtors before write-downs .....	3,224,542	3,263,181
Write-downs.....	-13,268	-11,921
<b>Balance for loans and other debtors after write-downs</b> .....	<b>3,211,274</b>	<b>3,251,260</b>

There are no write-downs of receivables from credit institutions, or any other receivables.

**Note**

	<b>2010</b> (DKK 1,000)	<b>2009</b> (DKK 1,000)
<b>14 Bonds at fair value</b>		
Mortgage credit bonds.....	785,025	360,203
State bonds.....	0	2
Other bonds.....	58,033	64,431
<b>Total bonds at fair value.....</b>	<b>843,058</b>	<b>424,636</b>
The bank has no held-to-maturity assets		
<b>15 Shares etc</b>		
Quoted on Nasdaq OMX Copenhagen A/S.....	25,829	33,016
Quoted on other stock exchanges.....	4,275	9,883
Unquoted shares recorded at fair value.....	144,329	132,750
Other shares.....	10,581	10,674
<b>Total shares etc.....</b>	<b>185,014</b>	<b>186,323</b>
<b>16 Equity investments in associated and affiliated companies</b>	<b>2010</b> Affiliated companies (DKK 1,000)	<b>2010</b> Associated companies (DKK 1,000)
<b>Total cost price beginning-of-year.....</b>	<b>0</b>	<b>11,855</b>
Acquisitions during the year.....	6,988	0
Reduction during the year.....	0	0
<b>Total cost price end-of-year.....</b>	<b>6,988</b>	<b>11,855</b>
<b>Total write-ups/downs and depreciations beginning-of-year.....</b>	<b>0</b>	<b>-5,048</b>
Result.....	-21	-873
Difference in value by acquisition.....	0	0
Other capital movements.....	-222	0
Reversal of write-ups/downs.....	0	0
<b>Total write-ups/downs and depreciations end-of-year.....</b>	<b>-243</b>	<b>-5,921</b>
<b>Book value end-of-year.....</b>	<b>6,745</b>	<b>5,934</b>
of this credit institutions.....	0	0
Book value beginning-of-year.....	0	6,807
of this credit institutions.....	0	0

**Overview of all capital shares in associated and affiliated companies****Associated companies**

Vestjysk Invest ApS, Skjern

The company invests in mortgage in real property.

The bank's share of the capital amounts to 49 %

The company's net result for the accounting year 2010 amounts to -2,054 TDKK.

The company's equity as at the 31st December 2010 amounts to -1,264 TDKK.

The company's debt to Skjern Bank amounts at 31st December 2010 to 22.931.011,68 DKK.

Value Estate A/S, Esbjerg

The company invests in real property

The bank's share of the capital amounts to 46,09 %.

The company's net result for the accounting year 2010 amounts to -1,892 TDKK.

The company's equity as at the 31st December 2010 amounts to 12,876 TDKK.

The company's debt to Skjern Bank amounts at 31st December 2010 to 40,292 TDKK.

**Affiliated companies**

Knud Eskildsen Ejendomme, Esbjerg

The company rents real estate.

The bank's share of the capital amounts to 100 %.

The company's net result for the accounting year 2010 amounts to -21 TDKK.

The company's equity as at the 31st December 2010 amounts to 6.745 TDKK.

The company's debt to Skjern Bank amounts at 31st December 2010 to 0 TDKK.

All agreements and transactions with affiliated undertakings is entered into on market terms.



**Note**

	2010 (DKK 1,000)	2009 (DKK 1,000)
<b>17 Land and buildings</b>		
Investment properties		
Fair value - end of previous financial year .....	9,361	10,062
Acquisitions during the year incl. improvements .....	61	0
Disposals during the year .....	0	-699
Adjustment of fair value for the year .....	-61	0
<b>Fair value end-of-year .....</b>	<b>9,361</b>	<b>9,361</b>
<b>Owner occupied properties</b>		
Reassessed value - end of previous financial year .....	60,755	83,938
Acquisitions during the year incl. improvements .....	0	679
Disposals during the year .....	-460	-22,501
Depreciations .....	-1,357	-1,361
Changes in value recognized in income .....	1,688	0
<b>Reassessed value end-of-year .....</b>	<b>60,626</b>	<b>60,755</b>
External experts have not been involved by measurement of investment- and owner-occupied properties. Return method is used for measurement of investment and owner-occupied properties where used required rate of return between 5-7 %.		
<b>18 Other tangible assets</b>		
Total cost price beginning-of-year .....	30,568	30,670
Acquisitions during the year incl. Improvements .....	491	1,267
Reduction during the year .....	0	-1,013
<b>Total cost price beginning-of-year .....</b>	<b>31,059</b>	<b>32,950</b>
Total write-ups/downs and depreciations beginning-of-year .....	23,278	21,153
Depreciations during the year .....	2,822	2,717
Reversal of depreciations .....	0	-236
<b>Total write-ups/downs and depreciations end-of-year .....</b>	<b>26,100</b>	<b>24,106</b>
Book value end-of-year .....	<b>4,959</b>	<b>7,290</b>
<b>19 Deferred taxation</b> (Tax amount)		
Loans and debtors .....	1,653	1,589
Bonds .....	0	6,041
Shares .....	-3,838	657
Properties .....	-1,476	-1,418
Other tangible assets .....	654	582
Amortised cost etc. ....	-1,208	-1,051
Other deficits carried forward .....	53,785	46,903
<b>Total deferred taxation .....</b>	<b>49,570</b>	<b>53,303</b>
<b>20 Debt to credit institutions and central banks</b>		
<b>Debt to credit institutions and central banks</b>		
Debt to credit institutions .....	274,734	571,862
<b>Total debt to credit institutions and central banks .....</b>	<b>274,734</b>	<b>571,862</b>
<b>Term to maturity</b>		
Demand .....	194,734	305,825
Over 3 months and up to 1 year .....	0	186,037
Over 1 year and up to 5 years .....	80,000	80,000
<b>Total debt to credit institutions and central banks .....</b>	<b>274,734</b>	<b>571,862</b>
No liabilities related to genuine sale and repurchase transactions included.		

**Note**

	2010 (DKK 1,000)	2009 (DKK 1,000)
<b>21 Deposits and other debts</b>		
Demand.....	2,230,879	2,007,009
At notice.....	32,298	60,375
Time deposits.....	810,772	423,176
Special types of deposits.....	495,722	500,223
<b>Total deposits and other debts</b> .....	<b>3,569,671</b>	<b>2,990,783</b>
<b>Term to maturity</b>		
Demand.....	2,281,879	2,050,996
Up to 3 months.....	53,366	350,181
Over 3 months and up to 1 year.....	48,937	147,080
Over 1 year and up to 5 years.....	801,729	57,601
Over 5 years.....	383,760	384,925
<b>Total deposits and other debts</b> .....	<b>3,569,671</b>	<b>2,990,783</b>
No liabilities related to genuine sale and repurchase transactions included. The entry includes government guaranteed bonds totalling TDKK 743,875. The bonds were issued in 2010 and mature in 2013		
<b>22 Bonds issued at fair value</b>		
<b>Term to maturity</b>		
Over 3 months and up to 1 year.....	20,200	403,660
Over 1 year and up to 5 years.....	755,344	150,346
Over 5 years.....	0	1,351
<b>Total bonds issued at amortised cost</b> .....	<b>775,544</b>	<b>555,357</b>
The entry includes government guaranteed bonds totalling TDKK 748,847. The bonds were issued in 2010 and mature in 2013		
<b>23 Subordinated debt</b>		
<b>Supplementary capital DKK 25 mio.</b> .....	25,000	25,000
Rate.....	4.33%	4.33%
Due date.....	01.11.2014	01.11.2014
The loan can be repaid prematurely by the bank on the 1st November 2011. On November 1, 2011, the interest rate is changed to a quarterly variable coupon rate equal to the CIBOR rate published by Danmarks Nationalbank for a maturity of three months plus 2.55% pa		
<b>Supplementary capital DKK 100 mio.</b> .....	97,023	96,352
Rate.....	2.84%	3.01%
Due date.....	03.12.2015	03.12.2015
The loan can be repaid prematurely by the bank on the 3rd December 2012. The interest rate is changed to a halfyearly variable coupon rate equal to the CIBOR rate published by Danmarks Nationalbank for a maturity of 3 months plus 1,30% pa. On December 3 2012, the supplement is changed to 2,80% pa.		
<b>Supplementary capital DKK 100 mio.</b> .....	100,000	100,000
Rate.....	8.00%	8.00%
Due date.....	14.12.2017	14.12.2017
With FSA approval, bonds can be redeemed before maturity on 14 December 2014. On December 14 2014, the interest rate is changed to a quarterly variable coupon rate equal to the CIBOR rate published by Danmarks Nationalbank for a maturity of three months plus 6,442% pa		
<b>Hybrid core capital DKK 70 mio.</b> .....	70,000	70,000
Rate.....	6.09%	6.09%
Due date.....	No due date	No due date
The loan can be repaid prematurely by the bank on the 1st May 2016, but 1st May 2011 if special circumstances should occur. On May 1 2016, the interest rate is changed to a quarterly variable coupon rate equal to the CIBOR rate published by Danmarks Nationalbank for a maturity of three months plus 2.73% pa		

**Note**

	2010 (DKK 1,000)	2009 (DKK 1,000)
<b>Subordinated debt (continued)</b>		
<b>Hybrid core capital DKK 65 mio</b> .....	64,523	64,273
Rate .....	11.11%	11.11%
Due date .....	No due date	No due date
The loan can be repaid prematurely by the bank at the following price:		
In the period 24.11.2012 - 23.11.2014 at price 100		
In the period 24.11.2014 - 23.11.2015 at price 105		
After 24.11.2015 at price 110		
<b>Subordinated debt total</b> .....	356,546	355,625
Subordinated debt that may be included in the capital base .....	356,546	319,667
Costs related to admission .....	184	4,395
Interest on subordinated liabilities recognised in income .....	23,319	11,784
<b>24 Share capital</b> .....	<b>22,560</b>	<b>22,560</b>
Number of shares is 1.128,000 at DKK 20 each		
The bank have pr. 31. December 2010 14,338 registered shareholders. 98,28 % of the share capital are registered on name.		
Due to the optional Bank Package II, the bank has restricted dividends in the period with added government hybrid capital. Dividends may only be paid to the extent that the benefits can be financed by the bank's net profits after taxes, which constitute the distributable reserves, generated in the period after October 1, 2010.		
<b>25 Own capital shares</b>		
<b>Purchase and sales of own shares</b>		
<b>Holdings beginning of the year</b>		
Number of own shares.....	96,619	107,226
Nominal value of holding of own shares (DKK 1,000) .....	1,932	2,145
Own shares proportion of share capital .....	8.57	9.51
<b>Addition</b>		
Number of own shares.....	87,980	94,995
Nominal value of holding of own shares (DKK 1,000) .....	1,760	1,900
Own shares proportion of share capital .....	7.80	8.42
urchase price (DKK 1,000) .....	12,689	14,376
<b>Disposal</b>		
Number of own shares.....	127,141	105,602
Nominal value of holding of own shares (DKK 1,000) .....	2,543	2,112
Own shares proportion of share capital .....	11.27	9.36
Sale price (DKK 1,000) .....	17,940	16,111
<b>Holdings end of the year</b>		
Number of own shares.....	57,458	96,619
Nominal value of holding of own shares (DKK 1,000) .....	1,149	1,932
Own shares proportion of share capital .....	5.09	8.57
Every year at the annual meeting the bank asks the shareholders the permission to acquire up to a total nominal value of 10 % of the banks share capital, refer to the regulations in the Companies Act § 48.		
The bank wish to receive this power, in order that the bank always is able to grant the requests from our customers and investors to buy respectively to sell shares in Skjern Bank, and the net-purchase during 2010 is only in consequence hereof.		

**Note**

	2010 (DKK 1,000)	2009 (DKK 1,000)
<b>26</b>		
<b>Contingent liabilities</b>		
<b>Contingent liabilities</b>		
Finance guarantees.....	3,265	2,798
Guarantees against losses on mortgage credit loans.....	15,501	18,855
Registration and conversion guarantees.....	78,213	381,675
Other contingent liabilities.....	368,199	223,669
<b>Total</b> .....	<b>465,178</b>	<b>626,997</b>
<b>Other binding engagements</b>		
Irrevocable credit-undertakings.....	62,975	20,945
<b>Total</b> .....	<b>62,975</b>	<b>20,945</b>

**Assets pledged as collateral**

From the security portfolio, the bank has pr. 31. December 2010 put as collateral for clearing with Danmarks Nationalbank, securities with a total market value of DKK 137 million.

**Contract Legal obligations**

As a member of Bankdata, the bank is due to a possible resignation required to pay a withdrawal benefit.

The Bank is a tenant in two rentals, both lease may be terminated upon 6 months notice.

**27** **Lawsuits etc.**

As part of ordinary operations, the bank is involved in disputes and lawsuits. The bank's risk in these cases are evaluated by the bank's solicitors and management on an ongoing basis, and provisions are made on the basis of an evaluation of the risk of loss.

**28** **Related parties**

Loans and warranties provided to members of the bank's management board, board of directors and committee of representatives are on marked-based terms.

There have during the year not been transactions with related parties, apart from wages and salaries, etc. and loans and similar. Wages and considerations to the bank's management board, board of directors, audit committee and committee of representatives can be found in note no. 6.

There are no related with control of the bank.

Amount of loans, mortgages, guarantees, with accompanying security for members of the management mentioned below and related parties.

	Rate of interest/ interest range	2010 Loans etc.	2009 Loans etc.
Management .....	5.99%	200	214
Board of directors .....	4.02 - 5.32%	16,978	51,728
		Holding of shares in Skjern Bank	Holding of shares in Skjern Bank
The board of managers			
Per Munck.....		3,781	3,301
The board of directors			
Carsten Thygesen .....		2,371	2,091
Jens Christian Ostensen.....		1,052	1,052
Børge Lund Hansen .....		712	712
Jens Okholm.....		1,274	
Finn Erik Kristiansen.....		376	370
Lars Andresen.....		104	104
Metha Thomsen.....		298	272

## Note

	2010 (DKK 1,000)	2009 (DKK 1,000)	
29	<b>Capital requirement</b>		
	<b>Core capital</b>		
	Equity .....	384,921	373,387
	Revaluation reserve .....	-417	-417
	Deferred tax assets .....	-49,570	-53,303
	Hybrid core capital (applied) .....	134,523	120,685
	Half of equity investments in other financial companies in compliance with law concerning financial activity .....	-36,350	-31,212
	<b>Core capital after statutory deduction .....</b>	<b>433,107</b>	<b>409,142</b>
	Subordinated debt .....	222,023	221,352
	Hybrid core capital (remainder) .....	0	13,588
	Revaluation reserves .....	417	417
	Half of equity investments in other financial companies in compliance with law concerning financial activity .....	-36,350	-31,212
	<b>Capital base after deduction .....</b>	<b>619,197</b>	<b>613,285</b>
	<b>Weighted items</b>		
	Risk-weighted exposure in total .....	3,130,212	3,281,736
	Weighted items with market risk .....	290,032	276,291
	Weighted items with operational risk .....	396,121	376,103
	Group write-downs .....	-13,268	-11,291
	<b>Weighted items total .....</b>	<b>3,803,097</b>	<b>3,922,209</b>
	<b>Core capital .....</b>	<b>11.4</b>	<b>10.2</b>
	<b>Solcency ratio .....</b>	<b>16.3</b>	<b>12.4</b>

### 30 Current value of financial instruments

Financial instruments are measured in the balance sheet at either current value or amortised cost price. The current value is the amount at which a financial asset can be sold or the amount at which a financial liability can be redeemed between agreed independent parties.

The current values of financial assets and liabilities valued on active markets are calculated on the basis of observed market prices on the balance sheet date. The current values of financial instruments which are not valued on active markets are calculated on the basis of generally recognised methods of valuation.

Shares etc. and derivative financial instruments are measured in the accounts at market value such that included book values correspond to current values.

The write-downs on loans are assessed such that they correspond to changes in credit quality. The difference from current value is assessed as fees and commissions received, costs incurred in lending activities, and, for fixed-interest loans, the value adjustment which is independent of the interest level and which can be calculated by comparing the actual market interest rate with the nominal rate applying to the loans.

The current value of claims on credit institutions and central banks is determined under the same method as for loans, but the bank has not currently made any write-downs on claims on credit institutions and central banks.

Issued bonds and subordinated debt are measured at amortised cost price. The difference between book and current values is calculated on the basis of prices on the market for own listed issues.

For variable-interest financial liabilities in the form of deposits and debts to credit institutions measured at amortised cost price, it is estimated that the book value corresponds to the current value.

For fixed-interest financial liabilities in the form of deposits and debts to credit institutions measured at amortised cost price, the difference from current values is estimated to be the value adjustment which is independent of interest level.

## Note

30	Current value of financial instruments (continued)	31. december 2010		31. december 2009	
		Book value (DKK 1,000)	Fair value (DKK 1,000)	Book value (DKK 1,000)	Fair value (DKK 1,000)
	<b>Financial assets</b>				
	Cash in hand+claims at call on central banks	179,374	179,374	125,356	125,356
	Claims on credit institutes and central banks 1)	435,179	435,505	345,033	345,033
	Loans and other debtors at amort. costprice 1)	3,630,862	3,632,172	3,685,056	3,687,199
	Bonds at current value 1) .....	851,929	851,929	430,906	430,906
	Shares etc. ....	185,014	185,014	186,323	186,323
	Capital shares in associated companies .....	5,934	5,934	6,807	6,807
	Capital shares in group companies .....	6,745	6,745	0	0
	Derivative financial instruments .....	65,401	65,401	65,408	65,408
	<b>Total financial assets</b> .....	<b>5,360,438</b>	<b>5,362,074</b>	<b>4,844,889</b>	<b>4,847,032</b>
	<b>Financial liabilities</b>				
	Debt to credit institutions and central banks 1)	274,925	275,395	572,841	574,444
	Deposits and other debts .....	3,582,953	3,588,994	3,010,195	3,021,833
	Issued bonds at amortised cost price 1) 2)....	772,965	779,197	556,318	556,318
	Derivative financial instruments .....	42,705	42,705	62,755	62,755
	Subordinated debt 1) 2) .....	356,546	361,671	355,625	360,322
	<b>Total financial liabilities</b> .....	<b>5,034,094</b>	<b>5,057,962</b>	<b>4,557,734</b>	<b>4,575,672</b>

1) The entry includes calculated interest on the balance sheet date, which is included in "Other assets" and "Other liabilities".

2) Applied the latest quoted trading price at the balance sheet date

## 31 Risks and risk management

Skjern Bank is exposed to various types of risk. See the section on risks in the danish version of the management report for description of financial risks and policies and objectives for their management.

The following notes to the annual report contain some additional information and a more detailed description of the bank's credit- and market risks.

32	Credit risks	2010 (Pct)	2009 (Pct)
	Loans and guarantees distributed on sectors		
	Public authorities.....	1.4	2.1
	Business:		
	Agriculture, hunting, forestry & fishing.....	14.7	15.1
	Industry and mining.....	3.4	4.3
	Energy.....	1.8	0.0
	Building and constructions .....	4.5	3.8
	Wholesale.....	8.2	8.7
	Transport, hotels and restaurants.....	0.9	0.8
	Information and communication .....	0.3	0.0
	Financial and insurance business.....	8.5	7.4
	Real-estate.....	22.2	23.0
	Other business .....	3.8	3.6
	<b>Total business</b> .....	<b>68.3</b>	<b>66.7</b>
	Private persons .....	30.3	31.2
	<b>Total</b> .....	<b>100.0</b>	<b>100.0</b>

The industry breakdown is based on Danmarks Statistik's industry codes etc. Furthermore, an individual assessment is made of the individual exposures, which has resulted in some adjustment in 2010 and 2009. From the above sectoral distribution represents alternative energy 4,1 %.

## Note

### 32 Credit risks (continued)

#### Maximum credit exposure classified by loan, guarantees and credit-undertakings

	2010 (DKK 1,000)	2010 (DKK 1,000)	2010 (DKK 1,000)
	Loans	Guarantees	Credit-undertakings
Public authorities .....	55,464	5,544	0
Business .....	2,610,995	330,407	44,505
Private persons .....	1,234,460	129,227	23,470
	<b><u>3,900,919</u></b>	<b><u>465,178</u></b>	<b><u>67,975</u></b>

Which recognized in the balance after deduction of depreciation .....

4,366,097

	2009 (DKK 1,000)	2009 (DKK 1,000)	2009 (DKK 1,000)
	Loans	Guarantees	Credit-undertakings
Public authorities .....	82,436	11,804	0
Business .....	2,641,805	399,714	3,600
Private persons .....	1,234,880	229,225	22,345
	<b><u>3,959,121</u></b>	<b><u>640,743</u></b>	<b><u>25,945</u></b>

Which recognized in the balance after deduction of depreciation ...

3.677.046

#### Description of collateral

Security distributed by type	2010 (DKK 1,000)	2010 (DKK 1,000)	2010 (DKK 1,000)
	Public authorities	Business	Private
Securities .....	6,300	166,802	170,917
Real property .....	41,104	2,088,699	945,676
Chattels, vehicles and rolling stock .....	10,567	167,969	158,486
Other chattels .....	700	245,590	5,100
Guarantees .....	773	56,765	24,913
Other forms of security .....	0	173,490	65,659
	<b><u>59,444</u></b>	<b><u>2,899,315</u></b>	<b><u>1,370,751</u></b>

Security distributed by type	2009 (DKK 1,000)	2009 (DKK 1,000)	2009 (DKK 1,000)
	Public authorities	Business	Private
Securities .....	15,243	213,569	156,014
Real property .....	41,309	1,834,498	934,780
Chattels, vehicles and rolling stock .....	11,622	187,480	166,721
Other chattels .....	7,500	187,040	3,670
Guarantees .....	774	52,108	31,404
Other forms of security .....	699	121,814	72,569
	<b><u>77,147</u></b>	<b><u>2,596,509</u></b>	<b><u>1,365,158</u></b>

As a general rule, the bank secured by the financed asset, and in addition, be secured by securities shares and deposits. Refer to the above listing of nominal value, other securities are recorded at fair value.

#### Credit-quality on loans which are neither in arrears not written down

	2010 Public authorities	2010 Business	2010 Private persons	2010 Total
Loans and guarantees with considerable weaknesses, but without write-downs/provisions .....	0	101,970	36,088	138,058
Loans and guarantees with slightly impaired credit quality, some signs of weakness .....	0	559,867	203,345	763,212
Loans and guarantees of normal creditworthiness	9,462	1,132,273	309,411	1,451,146
Loans and guarantees without individual writedowns	30,596	639,713	581,507	1,251,816
<b>Total</b> .....	<b><u>40,058</u></b>	<b><u>2,433,823</u></b>	<b><u>1,130,351</u></b>	<b><u>3,604,232</u></b>

## Note

### 32 Credit risks (continued)

#### Reasons for individual write-downs and provisions

	<b>2010</b>	<b>2010</b>
	<b>Exposure before write-down</b>	<b>Write-downs</b>
Significant financial difficulties .....	190.067	92.117
Breach of contract .....	188.036	58.668
Reductions in terms .....	141.623	51.351
Probability of bankruptcy .....	170.574	62.303
<b>Total</b> .....	<b><u>690.301</u></b>	<b><u>264.439</u></b>
Hereunder value for collateral .....	<b><u>266.119</u></b>	

Reference is made to relevant sections on the bank's credit risk on loans on page X in the management report.

	<b>2010</b>	<b>2009</b>
	(DKK 1,000)	(DKK 1,000)
<b>Arrears amount for loans, which have not been written down</b>		
0-90 days .....	56,512	71,801
>90 days .....	785	1,117
	<b><u>57,297</u></b>	<b><u>72,918</u></b>

### 33 Market risks and sensitivity information

In connection with Skjern Bank's monitoring of market risk, a number of sensitivity calculations, which include market risk variables, have been carried out.

#### Interest rate risk

In the event of a general increase in interest rates by 1 percentage point in the form of a parallel shift of the yield curve, equity is affected as shown below

	<b>2010</b>	<b>2009</b>
	(DKK 1,000)	(DKK 1,000)
Interest rate risk on debt instruments etc - total .....	4,473	5,360
Interest rate risk in pct of core capital after deductions .....	1.3	1.3
Interest rate risk split in currencies with highest risk:		
DKK .....	6,455	8,484
CHF .....	-887	-2,008
EUR .....	-1,014	-1,062
JPY .....	-83	-85
USD .....	0	21
Others .....	2	10
<b>Total</b> .....	<b><u>4,473</u></b>	<b><u>5,360</u></b>



## Note

	2010 (DKK 1,000)	2009 (DKK 1,000)
33 <b>Market risks and sensitivity information (continued)</b>		
<b>Foreign currency risk</b>		
Total assets in foreign currency.....	1,191,536	1,617,692
Total liabilities in foreign currency.....	871,029	272,543
In the event of a general change in exchange rates of 10%, and in the euro of 2.25%, Currency Indicator 1 will also be increased .....	6,343	10,645
Currency indicator 1 in pct of core capital after deductions.....	1.8	2.6
In the event of a general change in exchange rates of 10%, and in the euro of 2.25%, Currency Indicator 2 will also be increased .....	25	52
Currency indicator 2 in pct of core capital after deductions.....	10.0	0.0

Currency Indicator 1 represents the sum of the respective positions in the currencies in which the bank has a net asset position, and currencies where the bank has net debt.

Currency Indicator 2 expresses the bank's currency risk more accurately than indicator 1, as it takes into account the different currencies' volatility and covariation.

A value of indicator 2 of TDKK 25 means that as long as the bank does not change its currency positions in the following 10 days, there is a 1% chance that the institution will get a capital loss greater than TDKK 25, which will affect the bank's profit and equity.

### Equity Risk

If stock prices change by 10 percentage points, equity is affected as shown below.

Quoted on Nasdaq OMX Copenhagen A/S .....	2,603	3,302
Quoted on other stock exchanges .....	428	988
Unquoted shares recorded at fair value .....	14,413	13,275
Other shares .....	1,058	1,067
<b>Total shares etc. ....</b>	<b>18,502</b>	<b>18,632</b>

### 34 Derivate financial instruments

Derivatives are used solely to hedge the bank's risks. Currency and interest rate contracts are used to hedge the bank's currency and interest rate risks. Cover may not be matched 100%, so the bank has own risk. However, this risk is minor.

	2010 Nominal value	2010 Net market- value	2010 Market- value positive	2010 Market- value negative	2009 Nominal value	2009 Net market- value	2009 Market- value positive	2009 Market- value negative
<b>Currency-contracts</b>								
Up to 3 months	1,289,554	21,877	46,599	24,722	2,382,697	2,174	41,531	39,357
Over 3 months and up to 1 year	83,824	597	6,659	6,062	141,803	795	4,323	3,529
Over 1 year and up to 5 years	9,583	10	973	963	98,637	318	3,599	3,281
Over 5 years		0			14,883	1	642	642
Average market value			65,918	53,827			43,889	40,715
<b>Interest-rate contracts</b>								
Up to 3 months	20,000	-741	0	741	30,042	-109	19	128
Over 3 months and up to 1 year	36,554	335	622	287				
Over 1 year and up to 5 years	98,672	463	2,407	1,944	94,872	-694	1,376	2,070
Over 5 years	169,384	173	8,173	8,000	185,537	385	8,825	8,441
Average market value			17,694	16,827			7,430	7,301
<b>Share contracts</b>								
Up to 3 months	0	0	0	0	0	0	0	0
Over 3 months and up to 1 year	0	0	0	0	0	0	0	0
Over 1 year and up to 5 years	0	0	0	0	0	0	0	0
Over 5 years	0	0	0	0	0	0	0	0
Average market value	0	0	25	0	0	0	8	0

## Note

### 34 Derivate financial instruments (continued)

#### Unsettled spot transactions

DKK 1.000

	Nominal value	Market- value Positive	Market- value Negative	Net market- value
Foreign-exchange transactions, purchase .....	1,335	0	3	-3
Foreign-exchange transactions, sale .....	71,638	5	4	1
Interest-rate transactions, purchase .....	8,149	13	10	3
Interest-rate transactions, sale .....	3,149	3	11	-8
Share transactions, purchase .....	3,135	17	28	-11
Share transactions, sale .....	3,484	32	27	5
<b>Total 2010</b> .....	<b>90,890</b>	<b>70</b>	<b>83</b>	<b>-13</b>
<b>Total 2009</b> .....	<b>53,616</b>	<b>5,091</b>	<b>5,308</b>	<b>-217</b>

### 35 Cooperative agreements

Skjern Bank cooperates with, receives commission relating to payment transfers from, and is co-owner of some of the following companies:

Totalkredit A/S, Nykredit, DLR Kredit A/S, Privatsikring A/S, Eurocard, PFA Pension, BankInvest, SparInvest, A/S, Investeringsforeningen Valueinvest Danmark, Investerings- & Specialforeningen Dexia Invest, BI Asset Management Fondsbørsmæglerselskab A/S, Jyske Invest, Forvaltningsinstituttet for Lokale Pengeinstitutter, Sydinvest A/S, Garanti Invest A/S, Atrium Fondsmæglerselskab, Investeringsforeningen Egns-Invest, HP Fondsbørsmæglerselskab AS/, Investeringsforeningen LD Invest, Tiedemann Independent A/S, Codan, Dankort A/S, Netts A/S, PBS International A/S, Multidata A/S, Visa International, Dansk Lokalleasing A/S and Deltaq A/S.

**Note**

	2010	2009	2008	2007	2006
36	<b>5 years in summary (DKK 1,000)</b>				
<b>Profit and loss account</b>					
Net income from interest .....	158,120	167,948	156,870	135,246	124,374
Dividend on shares .....	2,053	3,405	8,254	3,909	3,567
Charges and commission, net .....	48,654	46,637	46,672	51,541	47,790
<b>Income from core business .....</b>	<b>208,827</b>	<b>217,990</b>	<b>211,796</b>	<b>190,696</b>	<b>175,731</b>
Value adjustments .....	21,835	29,311	-60,948	7,920	54,867
Other ordinary income .....	1,199	1,825	1,958	1,216	911
Staff cost and admin. expenses .....	131,655	129,227	139,684	129,356	115,679
Depreciation of intangible and tangible assets.....	2,535	4,078	9,138	153	21,106
Other operating expenses .....	13,286	16,099	6,399	0	0
- Operating expenses .....	0	569	5	0	0
- Guarantee commission first guarantee scheme...	13,286	15,530	6,394	0	0
Write-downs on loans etc. (net) .....	73,085	218,119	69,572	19,439	3,077
- Write-downs on loans and outstanding accounts etc.	62,831	207,868	66,076	19,439	3,077
- Write-downs regarding first guarantee scheme...	10,254	10,251	3,496	0	0
Profit on equity investments in non- affiliated and affiliated companies .....	-1,117	-892	-4,636	1,687	387
<b>Operating result .....</b>	<b>10,183</b>	<b>-119,289</b>	<b>-76,623</b>	<b>52,571</b>	<b>92,034</b>
Taxes .....	2,482	-28,443	-18,471	9,320	24,627
<b>Profit for the year .....</b>	<b>7,701</b>	<b>-90,846</b>	<b>-58,152</b>	<b>43,251</b>	<b>67,407</b>
<b>Balance as per 31st December</b>					
summary					
Total assets .....	5,494,549	4,988,301	5,618,617	5,358,137	4,148,826
Loans and other receivables .....	3,623,212	3,677,046	3,770,132	3,919,134	3,149,009
Guarantees etc.....	465,178	626,997	1,067,385	1,735,617	1,541,000
Bonds.....	843,058	424,636	383,051	253,271	234,939
Shares etc. ....	185,014	186,323	184,695	213,388	197,996
Deposits.....	3,569,671	2,990,783	3,087,535	2,677,096	1,942,334
Subordinated debt .....	356,546	355,625	195,000	220,000	120,000
<b>Total equity .....</b>	<b>384,921</b>	<b>373,387</b>	<b>463,661</b>	<b>536,276</b>	<b>424,092</b>
- of which proposed dividend .....	0	0	0	5,640	4,700
<b>Capital Base .....</b>	<b>619,197</b>	<b>613,285</b>	<b>568,491</b>	<b>686,180</b>	<b>490,953</b>

## Note

	2010	2009	2008	2007	2006
38 <b>Financial ratio (figures in pct.)</b>					
Solvency ratio .....	16.3	15.6	12.4	13.5	11.2
Core capital ratio.....	11.4	10.4	10.2	11.1	11.1
Return on equity before tax.....	2.7	-28.5	-15.3	10.9	22.9
Return on equity after tax.....	2.0	-21.7	-11.6	9.0	16.8
Earning/expense ratio in DKK .....	1.05	0.68	0.66	1.35	1.66
Interest rate risk.....	1.3	1.3	0.7	0.4	0.8
Foreign currency position.....	1.8	2.6	2.8	14.8	13.2
Foreign currency risk.....	0.0	0.0	0.1	0.0	0.1
Loans etc. against deposits .....	109.3	132.4	126.8	149.5	165.5
Statutory liquidity surplus.....	198.7	124.3	143.8	90.7	41.0
Total large commitments.....	38,5	88.2	110.6	109.4	165.0
Loans and debtors at reduced interest.....	5.2	4.0	1.8	0.4	0.4
Accumulated impairment ratio .....	6.4	6.4	3.0	1.5	1.5
Impairment ratio for the year .....	1.9	4.7	1.4	0.3	0.1
Increase in loans etc. for the year.....	-1.5	-2.5	-3.8	24.5	51.6
Ratio between loans etc. and capital funds .....	9.4	9.8	8.1	7.3	7.4
(value per share 100 DKK).....					
Earnings per share .....	34.1	-439.6	-279.6	205.7	358.5
Book value per share .....	1,798	1,810	2,271	2,474	2,290
Rate on Copenhagen Stock Exchange .....	800	900	675	2,950	4,350
Dividend per share .....	0	0	0	25	25
Market value/net income per share .....	23.4	-2.0	-2.4	14.3	12.1
Market value/book value .....	0.45	0.50	0.3	1.19	1.90
Number of employees by 31. December .....	136	135	152	141	125



## Financial Calendar 2011

10th February	Announcement of Annual Report 2010
7th March:	General Meeting – Skjern Kulturcenter
12th May:	Announcement of quarterly report 1st quarter 2011
18th August:	Announcement of half-yearly report 2011
3rd November:	Announcement of quarterly report 3rd quarter 2011



#### Committee of representatives

Bente Tang, Hanning, Skjern, farmer, head of the committee of representatives  
 Ole Strandbygaard, Ringkøbing, printer, vice-head of the committee of representatives  
 Jørgen Søndergaard Axelsen, Skjern, real estate agent  
 Jens Bruun, Viby J, Manager  
 Ole Eg, Varde, consultant  
 Kaj Eriksen, Vemb, police officer  
 Jens Chr. Fjord, Skjern, former bicycle dealer  
 Elmo Flaskager Hansen, Skjern, senior teacher  
 Orla Varridsbøl Hansen, Tarm, manufacturer  
 Helle Svenstrup Husted, Skjern, manager  
 Tom Jacobsen, Tarm, manager  
 Mike Jensen, Skjern, bookseller  
 Niels Erik Kjærgaard, Skjern, city manager  
 Dorte H. Knudsen, Hviding, Ribe, hospital nurse  
 Hans Juul Mikkelsen, Skjern, master carpenter  
 Lars Aage Sandfeldt Nielsen, Borris, Skjern, farmer  
 Viggo Nielsen, Borris, Skjern, former mayor  
 Tommy Noer, Esbjerg, technical teacher  
 Torben Ohlsen, Tjæreborg, manager  
 Niels Chr. Poulsen, No, Ringkøbing, mink farmer  
 Jesper Ramskov, Esbjerg, manager  
 Christen Spangsberg Sørensen, Hanning, Skjern, farmer

Poul Thomsen, Skjern, trader in men's clothing  
 Jesper Ørnkov, Århus, manager  
 Ole Eg, Varde, advisor  
 Tom Jacobsen, Tarm, manager

#### Bestyrelse \*)

Carsten Thygesen, Skjern, manager, board chairman  
 Jens Christian Ostensen, Stauning, farmer, board vice-chairman  
 Børge Lund Hansen, Skjern, manufacturer  
 Jens Okholm, Esbjerg, adviser  
 Finn Erik Kristiansen, Varde, bookseller  
 Lars Andresen, Varde, deputy manager, employee-selected  
 Metha Kirstine Thomsen, Skjern, agriculture advisor, employee-selected

#### Direktion

Per Munck, bankdirektør

\*) Aktionærvalgte bestyrelsesmedlemmer er en del af repræsentantskabet.

#### List of board members' managerial offices

##### in Danish limited companies as per December 31, 2010

Manufacturer Børge Lund Hansen:  
 Manager and board member of Vestjysk Industrilakering A/S, Skjern.

Manager Carsten Thygesen:  
 Manager and board member of Hecto A/S, Videbæk,  
 Manager and board member of Rehborg A/S, Skjern,  
 Board chairman of Skjern Håndbold A/S, Skjern,  
 Board chairman of Trinity A/S, Erritsø,  
 Board chairman of Vest Detail A/S, Skjern,  
 Board member of Agro Korn A/S, Videbæk,  
 Board member of Compu-Game Holding A/S, Esbjerg, \*)  
 Board member of Conset A/S, Skjern,  
 Board member of Letbæk Plast A/S, Tistrup,  
 Board member of Mogis A/S, Skjern, \*)  
 Board member of Skjern Installationsforretning A/S, Skjern,  
 Board member of Flemming Damgaard A/S, Ringkøbing,  
 Board member of Pro-Movec A/S, Århus,  
 Board member of Strandbygaard Grafisk A/S, Skjern, and  
 Board member of VenSet A/S, Skjern.  
 \*) together with one subsidiary in each

Bookseller Finn Erik Kristiansen:  
 Manager of Indeks Retail Invest A/S  
 Manager of G.E.C. Gads Boghandel A/S  
 Manager and board member of Kristiansen Ejendomme A/S  
 Boardchairman of Kristiansen Bog & Idé A/S  
 Board member of Flensborg A/S

Consultant Jens Okholm:  
 Boardchairman of Logitrans A/S  
 Boardchairman of Group VH A/S  
 Boardchairman of i Dansk Halbyggeri A/S  
 Boardchairman of Gourmandiet A/S  
 Boardchairman of Mineralvandsfabrikken Frem A/S  
 Boardchairman of Frem Production A/S  
 Boardchairman of Frem Ejendom A/S

Bankdirektør Per Munck:  
 Bestyrelsesmedlem i Dansk Lokalleasing A/S, Bogense








# SKJERN BANK


CVR.NR. 45 80 10 12


[www.skjernbank.dk](http://www.skjernbank.dk)


 **Skjern Bank, Skjern:**  
Banktorvet 3 · 6900 Skjern  
Ph. +45 9682 1333

 **Skjern Bank, Esbjerg:**  
Skolegade 41 · 6700 Esbjerg  
Ph. +45 9682 1500

 **Skjern Bank, Ribe:**  
Saltgade 16 · 6760 Ribe  
Ph. +45 9682 1600

 **Skjern Bank, Varde:**  
Bøgevej 2 · 6800 Varde  
tlf. 9682 1640

 **Skjern Bank, Bramming:**  
Storegade 20 · 6740 Bramming  
tlf. 9682 1580

 **Skjern Bank, Hellerup:**  
Strandvejen 143 · 2900 Hellerup  
tlf. 9682 1450