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**Company Announcement No 16/2013**

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Dear Sirs

**Sydbank to record extraordinary impairment charges of DKK 500m in Q4 2013**

Sydbank's impairment charges in Q4 2013 are projected to represent around DKK 850m of which approx DKK 500m are extraordinary impairment charges. The impairment charges in Q4 2013 mainly concern non-defaulted loans and advances.

The reasons for the extraordinary impairment charges of DKK 500m is an inspection carried out by the Danish FSA at the end of November 2013 in which approx 150 large exposures were reviewed as well as the Bank's final review of exposures taken over from Tønder Bank. The Danish FSA assessed that there was an additional need for impairment charges at 30 September 2013 of approx DKK 600m. The Bank had already recorded impairment charges of approx DKK 175m from 30 September 2013 and until the Danish FSA's inspection at the end of November 2013. Of the additional need for impairment charges of approx DKK 425m, impairment charges on agricultural exposures represent approx DKK 225m. Moreover the Bank's final review of exposures taken over from Tønder Bank resulted in additional impairment charges of DKK 75m.

As a result, total impairment charges on exposures taken over from Tønder Bank represent around DKK 225m for 2013.

The adjusted impairment charges as regards agricultural exposures are mainly attributable to the assessment of the Danish FSA that the Bank's valuation models for buildings were not in accordance with the instructions given by the Danish FSA in its report following the inspection of agricultural exposures in 2012. The additional impairment charges of DKK 225m are a consequence of the altered valuation models.

The final conclusion of the inspection by the Danish FSA is expected to be available in connection with the release of the Bank's Annual Report in February 2014.

Total impairment charges for the year are projected to represent around DKK 1,825m. This is a change compared to previously announced expectations of “significantly lower impairment charges in 2013 compared to 2012”.

The projected need for impairment charges of approx DKK 1,825m for the year can be broken down as follows:

- Agriculture, approx DKK 500m
- Real property incl building and construction, approx DKK 440m
- Other industries, approx DKK 485m
- Retail, approx DKK 400m

Compared to previously announced expectations of a significantly decreasing need for impairment charges in 2013 compared to 2012, the divergence is predominantly due to the alteration of the Bank’s valuation model for agricultural exposures – approx DKK 225m – and the need for increased impairment charges as regards the Tønder Bank portfolio – approx DKK 225m.

The remaining expectations announced for the year’s result are unchanged.

The Bank’s individual impairment charges at the end of 2013 are projected to represent approx 5.5% of bank loans and advances before impairment charges. This is an increase of around 1 percentage point compared to the end of Q3 2013.

The need for additional impairment charges in Q4 2013 causes a negative consolidation in Q4 2013 as well as a small increase in risk-weighted assets. The consequence is a reduction of the Bank’s solvency ratio at end-2013 of around 0.5% compared to 30 September 2013 where the solvency ratio stood at 16.9%. Consequently the Bank has ample capital resources.

Yours sincerely



Anders Thoustrup  
Chairman  
The Board of Directors



Karen Frøsig  
CEO