

Interim Report – Q1-Q3 2010

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Group Financial Highlights

	Q1-Q3 2010	Q1-Q3 2009	Index 10/09	Full year 2009
Income statement (DKKm)				
Core income excl trading income	2,492	2,471	101	3,320
Trading income	1,051	970	108	1,266
Total core income	3,543	3,441	103	4,586
Costs, core earnings	1,869	1,874	100	2,466
Core earnings before impairment	1,674	1,567	107	2,120
Impairment of loans and advances etc	944	849	111	1,195
Core earnings	730	718	102	925
Profit on investment portfolios	235	361	65	430
Profit before non-recurring items	965	1,079	89	1,355
Non-recurring items, net	-	-	-	86
Profit before contribution to Private Contingency Association etc	965	1,079	89	1,441
Contribution to Private Contingency Association etc	384	327	117	443
Profit before tax	581	752	77	998
Tax	145	188	77	217
Profit for the period	436	564	77	781
Balance sheet highlights (DKKbn)				
Loans and advances at amortised cost	73.6	73.9	100	74.5
Loans and advances at fair value	6.5	9.1	71	12.9
Deposits and other debt	61.5	65.3	94	68.8
Bonds issued at amortised cost	16.1	10.1	159	8.6
Subordinated capital	3.1	3.2	97	3.1
Shareholders' equity	9.5	8.9	107	9.1
Total assets	153.7	153.4	100	157.8
Financial ratios per share (DKK per share of DKK 10)				
EPS Basic **	5.9	8.7		11.7
EPS Diluted **	5.9	8.7		11.7
Share price at end of period	127.4	133.3		133.8
Book value	130.1	120.8		124.1
Share price/book value	0.98	1.10		1.08
Average number of shares outstanding (millions)	73.6	64.8		66.9
Other financial ratios and key figures				
Solvency ratio	16.1	14.8		15.2
Core capital ratio	14.1	12.9		13.1
Pre-tax profit as % of average shareholders' equity **	6.2	9.4		12.3
Post-tax profit as % of average shareholders' equity **	4.7	7.1		9.6
Costs (core earnings) as % of core income	52.8	54.5		53.8
Interest rate risk	0.4	0.4		1.0
Foreign exchange position	1.4	1.4		1.1
Foreign exchange risk	0.0	0.0		0.0
Loans and advances relative to deposits *	1.1	1.0		1.0
Loans and advances relative to shareholders' equity *	7.7	8.4		8.2
Growth in loans and advances for the period *	(1.3)	(10.4)		(9.6)
Excess cover relative to statutory liquidity requirements	126.3	93.8		94.4
Total large exposures	19.6	20.1		17.2
Accumulated impairment ratio excl PCA	2.4	1.5		1.7
Impairment ratio for the period excl PCA **	1.15	1.01		1.34
Number of full-time staff at end of period	2,303	2,385	97	2,369

Financial ratios prepared according to "Recommendations & Financial Ratios 2010" published by the Danish Society of Financial Analysts.

* Financial ratios calculated on the basis of loans and advances at amortised cost.

** Ratios for the period have not been converted to a full-year basis.

Summary

Considering the ongoing difficult economic situation, profit before tax of DKK 581m for the first nine months of 2010 is considered satisfactory. Pre-tax profit equals a return of 8.3% p.a. on average shareholders' equity.

The Interim Report is characterised by:

- 1% increase in core income excl trading income
- 8% rise in trading income
- Total core income of DKK 3,543m – an all-time high so far
- Unchanged level of costs (core earnings)
- Impairment of loans and advances of DKK 944m
- Profit on investment portfolios of DKK 235m
- Contribution of DKK 384m to the Private Contingency Association etc
- Unchanged level of bank loans and advances – DKK 73.6bn
- 6% decline in deposits to DKK 61.5bn
- Core capital ratio of 14.1%
- Solvency ratio of 16.1%
- Upgrade of core earnings before impairment to DKK 2.1-2.2bn.

Income statement – Q1-Q3 (DKKm)	2010	2009
Core income excl trading income	2,492	2,471
Trading income	1,051	970
Total core income	3,543	3,441
Costs, core earnings	1,869	1,874
Core earnings before impairment	1,674	1,567
Impairment of loans and advances etc	944	849
Core earnings	730	718
Profit on investment portfolios	235	361
Profit before contribution to Private Contingency Association etc	965	1,079
Contribution to Private Contingency Association etc	384	327
Profit before tax	581	752
Tax	145	188
Profit for the period	436	564

Core earnings before impairment represent DKK 1,674m against DKK 1,567m in Q1-Q3 2009. The increase of DKK 107m consists of a rise in core income excl trading income of DKK 21m, an increase in trading income of DKK 81m and a decline of DKK 5m in costs (core earnings).

Core earnings before impairment are above the level announced in the Interim Report – First Half 2010. The improvement is chiefly ascribable to developments in trading income.

Impairment of loans and advances etc represents DKK 944m (Q1-Q3 2009: DKK 849m).

Profit on investment portfolios amounts to DKK 235m and the expense to the Private Contingency Association etc totals DKK 384m. Less a calculated tax charge of DKK 145m, profit for the period stands at DKK 436m.

Profit for the period equals a return on average shareholders' equity of 6.2% p.a. compared with 9.4% p.a. in 2009. Earnings per share stands at DKK 5.9 compared with DKK 8.7 in 2009.

Profit before tax totals DKK 246m in Q3 2010 compared with DKK 109m in Q2 2010. The increase in profit is predominantly attributable to a decline in costs of DKK 37m and a rise in investment portfolio earnings of DKK 103m.

In August 2010 the Bank raised a non state-guaranteed bond loan of EUR 1bn with a maturity period of two years.

The Group's solvency ratio stands at 16.1%, including a core capital ratio of 14.1 percentage points compared with 15.2% and 13.1 percentage points, respectively, at end-2009. Since the beginning of the year the core capital ratio excluding hybrid core capital has risen from 11.5% to 12.4%.

The method for determining the Group's solvency need has been changed. In future the solvency need will be determined on the basis of an economic capital model and a buffer will be added to allow for model and rating uncertainty as well as additional credit risks. The solvency need at 30 September 2010 represents 9.6%.

The Group's liquidity measured under the 15% and 10% statutory requirements constitutes 41.2% and 22.7%, respectively, at 30 September 2010.

The Group projects core earnings before impairment of loans and advances in the region of DKK 2.1-2.2bn for 2010. The estimate represents a positive change in level compared with DKK 1.9-2.1bn as previously announced.

The Danish FSA has conducted an ordinary inspection of the Bank, including its loans and advances. The Danish FSA did not find grounds to change the Bank's total impairment charges. However, during its review of loan exposures and IRB models, the Danish FSA noted that an increase in the solvency need was required. Consequently the Bank raised its solvency need from 9.0% to 9.6%, as mentioned above. It is the opinion of the Danish FSA that this takes other existing risks into account.

On 7 October 2010 Peter Gæmelke announced that he wished to resign from the Board of Directors of Sydbank.

Financial Review

Core income excl trading income

Total core income excl trading income grew by 1% to DKK 2,492m.

Core income excl trading income – Q1-Q3 (DKKm)	2010	2009
Interest margins etc	2,073	2,079
Mortgage credit	165	166
Payment services	113	108
Remortgaging and loan fees	70	61
Other commission	54	41
Other operating income	17	16
Total	2,492	2,471

Due to an unchanged level of bank loans and advances, a 6% drop in deposits and the raising of new senior loans compared with one year ago, income from interest margins etc continues to show significant robustness with a slight decline of DKK 6m to DKK 2,073m.

After a set-off of loss of DKK 10m (2009: DKK 6m), net income from the cooperation with Totalkredit represents DKK 129m (2009: DKK 117m). The cooperation with DLR Kredit has generated an income of DKK 29m (2009: DKK 43m). Total mortgage credit income amounts to DKK 165m (2009: DKK 166m).

The remaining income components of core income excl trading income have gone up by a total of 12% compared with Q1-Q3 2009.

Trading income

Total trading income rose by 8% – from DKK 970m in 2009 to DKK 1,051m in 2010.

The positive trend in trading income is buoyed by favourable developments in securities trading, a decent trend in the institutional segment of the fixed income department, a stable, high market share in share trading and market-driven volume rises within asset management. In contrast foreign exchange and derivatives trading remains at a low level.

Trading income – Q1-Q3 (DKKm)	2010	2009
Bonds	257	243
Shares	211	192
Foreign exchange	169	185
Money market	104	138
Asset management	310	212
Total	1,051	970

Costs and depreciation

The Group's total costs and depreciation recorded DKK 2,104m (2009: DKK 2,082m). DKK 8m is ascribable to investment portfolio earnings and DKK 227m (2009: DKK 200m) to the Private Contingency Association etc.

Costs and depreciation – Q1-Q3 (DKKm)	2010	2009
Staff costs	1,078	1,099
Other administrative expenses	744	698
Depreciation and impairment of property, plant and equipment	71	85
Other operating expenses	211	200
Total costs and depreciation	2,104	2,082
Distributed as follows:		
Costs, core earnings	1,869	1,874
Costs, investment portfolio earnings	8	8
Costs, guarantee commission to Private Contingency Association etc	227	200

Costs (core earnings) of DKK 1,869m have decreased by DKK 5m compared with one year ago. At the end of Q3 2010 the Group's staff numbered 2,303 (full-time equivalent) against 2,385 at 30 September 2009. Five small branches were closed in 2010, bringing the number of branches to 105 in Denmark and unchanged three in Germany.

Core earnings before impairment of loans and advances

Core earnings before impairment of loans and advances represent DKK 1,674m – a rise of DKK 107m or 7% compared with one year ago.

Impairment of loans and advances etc

Impairment of loans and advances constitutes DKK 944m (2009: DKK 849m). As at 30 September 2010 the impairment ratio (excluding the provision for the Private Contingency Association) relative to bank loans and advances represents 1.28% and 1.11% relative to bank loans and advances and guarantees. At end-September accumulated impairment and provisions (excluding the provision of DKK 377m for the Private Contingency Association) amount to DKK 1,995m – a rise of DKK 437m compared with the beginning of the year.

Core earnings

Core earnings represent DKK 730m compared with DKK 718m in 2009.

Investment portfolio earnings

Less funding charges and less related costs of DKK 8m, profit on investment portfolios constitutes DKK 235m (2009: DKK 361m).

The Group's interest rate risk stands at DKK 38m at 30 September 2010. The Group's exchange rate risk continues to be very low and its equity position remains modest.

Contribution to the Private Contingency Association etc

Guarantee commission and the provision for the guarantee to the Private Contingency Association amount to DKK 211m and DKK 157m, respectively, totalling DKK 368m for the first nine months of 2010. In addition DKK 16m has been charged to income to cover the expected payment to the Deposit Guarantee Fund regarding the bankruptcy of Capinordic Bank.

The Group's total expense to the Private Contingency Association etc since autumn 2008 amounts to DKK 990m.

Subsidiaries

The subsidiary bank, Sydbank (Schweiz) AG, which conducts private banking activities in St. Gallen, Switzerland, recorded a profit after tax of DKK 3m (2009: loss of DKK 7m). Ejendomsselskabet recorded a profit after tax of DKK 0m (2009: loss of DKK 1m).

Profit for the period

Profit before tax amounts to DKK 581m. Less a calculated tax charge of DKK 145m, profit for the period stands at DKK 436m compared with DKK 564m in 2009.

Return

Return on average shareholders' equity represents 6.2% p.a. against 9.4% p.a. in 2009. Earnings per share stands at DKK 5.9 compared with DKK 8.7 in 2009.

Q3 compared with Q2

- Core income excl trading income rose by DKK 1m.
- Trading income declined by DKK 2m.
- Costs (core earnings) dropped by 6%.
- Impairment of loans and advances rose by DKK 1m.
- Profit on investment portfolios increased from DKK 8m to DKK 111m.
- Contribution to the Private Contingency Association went up by DKK 1m.

Profit for the period (DKKm)	2010			2009			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Core income excl trading income	832	831	829	849	830	819	822
Trading income	325	327	399	296	329	369	272
Core income	1,157	1,158	1,228	1,145	1,159	1,188	1,094
Costs, core earnings	588	625	656	592	586	629	659
Core earnings before impairment	569	533	572	553	573	559	435
Impairment of loans and advances etc	311	310	323	346	284	295	270
Core earnings	258	223	249	207	289	264	165
Profit on investment portfolios	111	8	116	69	150	139	72
Profit before non-recurring items	369	231	365	276	439	403	237
Non-recurring items, net	-	-	-	86	-	-	-
Profit before contribution to PCA etc	369	231	365	362	439	403	237
Contribution to Private Contingency Association etc	123	122	139	116	113	142	72
Profit before tax	246	109	226	246	326	261	165
Tax	61	27	57	29	81	66	41
Profit for the period	185	82	169	217	245	195	124

After tax, profit for Q3 amounts to DKK 185m compared with a Q2 profit of DKK 82m.

Balance sheet

The Group's total assets made up DKK 153.7bn at 30 September 2010 against DKK 157.8bn at year-end 2009.

Assets (DKKbn)	30 Sep 2010	31 Dec 2009
Amounts owed by credit institutions etc	13.5	14.5
Loans and advances at fair value (reverse transactions)	6.5	12.9
Loans and advances at amortised cost (bank loans and advances)	73.6	74.5
Securities and holdings etc	37.3	38.5
Assets related to pooled plans	7.6	6.7
Other assets etc	15.2	10.7
Total	153.7	157.8

The Group's bank loans and advances total DKK 73.6bn – a decline of DKK 0.9bn compared with year-end 2009 and DKK 0.3bn compared with 30 September 2009.

Shareholders' equity and liabilities (DKKbn)	30 Sep 2010	31 Dec 2009
Amounts owed to credit institutions etc	37.8	45.4
Deposits and other debt	61.5	68.8
Deposits in pooled plans	7.6	6.7
Bonds issued	16.1	8.6
Other liabilities etc	17.4	15.6
Provisions	0.7	0.5
Subordinated capital	3.1	3.1
Shareholders' equity	9.5	9.1
Total	153.7	157.8

The Group's deposits make up DKK 61.5bn against DKK 68.8bn at year-end 2009 and DKK 65.3bn at end-September 2009. The decline in deposits is predominantly ascribable to time deposits.

In August 2010, in the space of a few hours, the Bank raised a non state-guaranteed bond loan of EUR 1bn with a maturity period of two years on the international market, broadly diversified across countries as well as investors.

Capital

On 21 October 2010 the Bank prepaid supplementary capital of EUR 100m and a further EUR 8m will be prepaid on 29 October 2010, equivalent to a total of DKK 800m.

At end-Q3 2010 shareholders' equity constitutes DKK 9,534m – an increase of DKK 416m since year-end 2009. The change appears as net purchase of own shares of DKK 20m and profit for the period of DKK 436m.

Since year-end 2009, risk-weighted items have decreased by DKK 2.3bn to DKK 75.6bn.

The Group's solvency ratio stands at 16.1%, including a core capital ratio of 14.1 percentage points compared with 15.2% and 13.1 percentage points, respectively, at year-end 2009. During the same period the core capital ratio excluding hybrid core capital rose from 11.5% to 12.4%. Other things being equal, the solvency ratio will be reduced by 1.0 percentage point as a result of the repayment of supplementary capital.

The Group's solvency need was previously determined on the basis of the regulatory requirement of 8.0% and for precautionary reasons an estimated buffer of one percentage point was added to the regulatory requirement. The Group's solvency need was previously set at 9.0%.

The method for determining the Group's solvency need has been changed. In future the solvency need will be determined on the basis of an economic capital model and a buffer will be added to allow for model and rating uncertainty as well as additional credit risks. The solvency need at 30 September 2010 represents 9.6%.

Liquidity

The Group's liquidity measured under the 15% and 10% statutory requirements constitutes 41.2% and 22.7%, respectively, at 30 September 2010.

Rating

Sydbank's rating – A1 (long-term debt), P-1 (short-term debt) and C+ (financial strength) – remained unchanged in Q3 2010.

Statement issued by the Danish FSA

The Danish FSA has conducted an ordinary inspection of the Bank, including its loans and advances. The Danish FSA did not find grounds to change the Bank's total impairment charges. However, during its review of loan exposures and IRB models, the Danish FSA noted that an increase in the solvency need was required. Consequently the Bank raised its solvency need from 9.0% to 9.6%, as mentioned above. It is the opinion of the Danish FSA that the new method of determination takes other existing risks into account.

The statement on inspection of Sydbank issued by the Danish FSA and the Bank's comments are enclosed as appendices.

Board of Directors

On 7 October 2010 Peter Gæmelke announced that he wished to resign from the Board of Directors of Sydbank.

IT cooperation between Bankdata and Jyske Bank

As previously announced, Jyske Bank will become a member of Bankdata. As a result of the agreement, the volume behind Bankdata will grow by two thirds, which will enable Bankdata to increase its systems development resources significantly and to lower future IT costs. Bankdata will be among the biggest units in terms of development within the financial institutions market.

Outlook for 2010

The Group projects core earnings before impairment of loans and advances in the region of DKK 2.1-2.2bn for 2010. The estimate represents a positive change in level compared with DKK 1.9-2.1bn as previously announced.

Appendices

- The Danish FSA's statement on inspection of Sydbank A/S – pages 29-31
- Sydbank's comments to "Statement on inspection of Sydbank A/S" issued by the Danish FSA – page 32.

Income Statement – Sydbank Group

DKKm	Note	Q1-Q3 2010	Q1-Q3 2009	Q3 2010	Q3 2009
Interest income	2	3,156	4,543	1,007	1,281
Interest expense	3	706	1,982	222	413
Net interest income		2,450	2,561	785	868
Dividends on shares		20	32	3	1
Fee and commission income	4	996	808	329	279
Fee and commission expense		137	120	44	38
Net interest and fee income		3,329	3,281	1,073	1,110
Market value adjustments	5	435	494	190	198
Other operating income		17	16	7	5
Staff costs and administrative expenses	6	1,822	1,797	566	561
Depreciation and impairment of property, plant and equipment		71	85	24	28
Other operating expenses		211	200	70	71
Impairment of loans and advances etc	8	1,101	976	364	327
Profit on holdings in associates and subsidiaries	9	5	19	1	0
Profit before tax		581	752	247	326
Tax	10	145	188	62	82
Profit for the period		436	564	185	244
EPS Basic (DKK) *		5.9	8.7	2.5	3.7
EPS Diluted (DKK) *		5.9	8.7	2.5	3.7
Dividend per share (DKK)		-	-	-	-

* Based on average number of shares outstanding, see page 14.

Statement of Comprehensive Income – Sydbank Group

Profit for the period	436	564	185	244
Other comprehensive income				
Translation of foreign entities	25	(2)	0	2
Hedge of net investment in foreign entities	(25)	2	0	(2)
Other comprehensive income for the period	0	0	0	0
Comprehensive income for the period	436	564	185	244

Balance Sheet – Sydbank Group

DKKm	Note	30 Sep 2010	31 Dec 2009	30 Sep 2009
Assets				
Cash and balances on demand at central banks		713	862	687
Amounts owed by credit institutions and central banks	11	12,769	13,637	13,865
Loans and advances at fair value		6,524	12,930	9,058
Loans and advances at amortised cost		73,597	74,544	73,941
Bonds at fair value		35,254	36,642	36,673
Shares etc		1,755	1,552	1,196
Holdings in associates etc		310	310	307
Assets related to pooled plans		7,576	6,735	6,364
Intangible assets		13	14	14
Total land and buildings		1,045	1,046	1,024
investment property		2	2	8
owner-occupied property		1,043	1,044	1,016
Other property, plant and equipment		109	139	128
Current tax assets		36	32	54
Deferred tax assets		11	11	10
Other assets	12	13,889	9,316	10,002
Prepayments		58	51	55
Total assets		153,659	157,821	153,378
Shareholders' equity and liabilities				
Amounts owed to credit institutions and central banks	13	37,791	45,406	45,097
Deposits and other debt	14	61,519	68,780	65,281
Deposits in pooled plans		7,576	6,735	6,364
Bonds issued at amortised cost		16,080	8,622	10,090
Current tax liabilities		61	8	10
Other liabilities	15	17,323	15,524	14,256
Deferred income		3	27	6
Total liabilities		140,353	145,102	141,104
Provisions	16	643	477	246
Subordinated capital	17	3,129	3,124	3,175
Shareholders' equity:				
Share capital		742	742	742
Revaluation reserves		112	112	90
Other reserves:				
Reserves according to articles of association		418	418	411
Reserve for net revaluation according to the equity method		33	33	20
Retained earnings		8,229	7,813	7,590
Total shareholders' equity		9,534	9,118	8,853
Total shareholders' equity and liabilities		153,659	157,821	153,378

Group Financial Highlights – Quarterly

	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Income statement (DKKm)							
Core income excl trading income	832	831	829	849	830	819	822
Trading income	325	327	399	296	329	369	272
Total core income	1,157	1,158	1,228	1,145	1,159	1,188	1,094
Costs, core earnings	588	625	656	592	586	629	659
Core earnings before impairment	569	533	572	553	573	559	435
Impairment of loans and advances etc	311	310	323	346	284	295	270
Core earnings	258	223	249	207	289	264	165
Profit on investment portfolios	111	8	116	69	150	139	72
Profit before non-recurring items	369	231	365	276	439	403	237
Non-recurring items, net	-	-	-	86	-	-	-
Profit before contribution to Private Contingency Association etc	369	231	365	362	439	403	237
Contribution to Private Contingency Association etc	123	122	139	116	113	142	72
Profit before tax	246	109	226	246	326	261	165
Tax	61	27	57	29	81	66	41
Profit for the period	185	82	169	217	245	195	124

Balance sheet highlights (DKKbn)

Loans and advances at amortised cost	73.6	74.1	73.3	74.5	73.9	75.6	78.2
Loans and advances at fair value	6.5	6.6	7.4	12.9	9.1	12.9	15.8
Deposits and other debt	61.5	64.9	62.2	68.8	65.3	71.6	73.5
Bonds issued at amortised cost	16.0	8.6	8.6	8.6	10.1	10.1	10.1
Subordinated capital	3.1	3.1	3.1	3.1	3.2	3.5	4.2
Shareholders' equity	9.5	9.4	9.3	9.1	8.9	7.5	7.2
Total assets	153.7	154.4	149.0	157.8	153.4	160.1	161.4

Financial ratios per share (DKK per share of DKK 10)

EPS Basic **	2.5	1.1	2.3	3.0	3.7	3.0	2.0
EPS Diluted **	2.5	1.1	2.3	3.0	3.7	3.0	2.0
Share price at end of period	127.4	124.8	147.8	133.8	133.3	122.3	71.5
Book value	130.1	127.5	126.5	124.1	120.8	116.2	114.0
Share price/book value	0.98	0.98	1.17	1.08	1.10	1.05	0.63
Average number of shares outstanding (millions)	73.4	73.7	73.7	73.3	67.0	64.3	63.0

Other financial ratios and key figures

Solvency ratio	16.1	15.7	15.3	15.2	14.8	13.8	15.0
Core capital ratio	14.1	13.5	13.1	13.1	12.9	11.4	11.3
Pre-tax profit as % of average shareholders' equity **	2.6	1.2	2.4	2.7	4.0	3.5	2.3
Post-tax profit as % of average shareholders' equity **	2.0	0.9	1.8	2.4	3.0	2.7	1.7
Costs (core earnings) as % of core income	50.9	54.0	53.4	51.7	50.6	52.9	60.2
Interest rate risk	0.4	0.2	1.0	1.0	0.4	2.2	2.3
Foreign exchange position	1.4	1.5	2.8	1.1	1.4	3.4	1.5
Foreign exchange risk	0.0	0.0	0.0	0.0	0.0	0.1	0.0
Loans and advances relative to deposits *	1.1	1.0	1.1	1.0	1.0	1.0	1.0
Loans and advances relative to shareholders' equity *	7.7	7.9	7.9	8.2	8.4	10.1	10.8
Growth in loans and advances for the period *	(0.7)	1.1	(1.7)	0.8	(2.2)	(3.3)	(5.2)
Excess cover relative to statutory liquidity requirements	126.3	96.8	121.1	94.4	93.8	106.8	66.6
Total large exposures	19.6	0.0	13.6	17.2	20.1	34.6	21.4
Accumulated impairment ratio excl PCA **	2.4	2.1	2.1	1.8	1.5	1.3	1.3
Impairment ratio for the period excl PCA **	0.38	0.38	0.39	0.39	0.34	0.33	0.28
Number of full-time staff at end of period	2,303	2,323	2,344	2,369	2,385	2,414	2,429

Financial ratios prepared according to "Recommendations & Financial Ratios 2010" published by the Danish Society of Financial Analysts.

* Financial ratios calculated on the basis of loans and advances at amortised cost.

** Quarterly ratios have not been converted to a full-year basis.

Capital – Sydbank Group

DKKm	Share capital	Revaluation reserves	Reserves acc to articles of association	Reserve for net reval. acc to equity method	Retained earnings	Total
Shareholders' equity at 1 Jan 2010	742	112	418	33	7,813	9,118
Changes in equity in 2010						
Purchase of own shares	-	-	-	-	(1,757)	(1,757)
Sale of own shares	-	-	-	-	1,737	1,737
Comprehensive income for the period	-	-	-	-	436	436
Total changes in equity	-	-	-	-	416	416
Shareholders' equity at 30 Sep 2010	742	112	418	33	8,229	9,534
Shareholders' equity at 1 Jan 2009	675	91	411	20	5,891	7,088
Changes in equity in 2009						
Purchase of own shares	-	-	-	-	(2,223)	(2,223)
Sale of own shares	-	-	-	-	2,631	2,631
Share issue *	67	-	-	-	788	855
Adjustment concerning property sold	-	(1)	-	-	1	-
Tax on equity items	-	-	-	-	(62)	(62)
Comprehensive income for the period	-	-	-	-	564	564
Total changes in equity	67	(1)	-	-	1,699	1,765
Shareholders' equity at 30 Sep 2009	742	90	411	20	7,590	8,853

* Shares issued in connection with the capital increase of Sydbank A/S of DKK 67,499,990 nominal (6,749,999 shares of DKK 10 nominal).

	30 Sep 2010	Full year 2009	30 Sep 2009
The Sydbank share			
Share capital (DKK)	742,499,990	742,499,990	742,499,990
Shares issued (number)	74,249,999	74,249,999	74,249,999
Shares outstanding at end of period	73,276,673	73,471,636	73,295,694
Average number of shares outstanding	73,571,386	66,926,690	64,771,336

The Bank has only one class of shares as all shares carry the same rights.

Capital – Sydbank Group

DKK m	30 Sep 2010	31 Dec 2009	30 Sep 2009
Solvency			
Solvency ratio	16.1	15.2	14.8
Core capital ratio	14.1	13.1	12.9
Capital base after deductions			
Shareholders' equity	9,534	9,118	8,853
Revaluation reserves	(112)	(112)	(90)
Proposed dividend	-	-	-
Intangible assets and capitalised tax assets	(25)	(25)	(24)
Core capital (excl hybrid core capital)	9,397	8,981	8,739
Hybrid core capital	1,384	1,386	1,388
50% of holdings > 10%	(155)	(105)	(106)
50% of difference between expected losses and accounting provisions and accounting value adjustment	-	(33)	(187)
50% of value of transferred payments etc with delivery risk	-	(5)	-
Core capital (incl hybrid core capital) after deductions	10,626	10,224	9,834
Subordinated loan capital	1,746	1,744	1,794
Revaluation reserves	112	112	90
Difference between expected losses and impairment charges	-	-	-
Capital base before deductions	12,484	12,080	11,718
50% of holdings > 10%	(155)	(105)	(106)
50% of difference between expected losses and accounting provisions and accounting value adjustment	-	(33)	(187)
50% of value of transferred payments etc with delivery risk	-	(5)	-
Holdings in associates	(126)	(128)	(125)
Capital base after deductions	12,203	11,809	11,300
Credit risk	60,850	62,608	62,608
Market risk	7,336	8,764	7,113
Operational risk	7,378	6,537	6,537
Risk-weighted items	75,564	77,909	76,258
Regulatory solvency requirement	6,045	6,233	6,101
Adequate capital base	7,254	7,012	6,083

Cash Flow Statement – Sydbank Group

DKKm	Q1-Q3 2010	Full year 2009	Q1-Q3 2009
Operating activities			
Pre-tax profit for the period	581	998	752
Taxes paid	(80)	86	(103)
Adjustment of non-cash operating items	1,331	1,867	1,185
Cash flows from working capital	(13,058)	(193)	(2,075)
Cash flows from operating activities	(11,226)	2,758	(241)
Investing activities			
Purchase/sale of holdings in associates	4	(67)	(57)
Purchase/sale of property, plant and equipment	(39)	(128)	(69)
Cash flows from investing activities	(35)	(195)	(126)
Financing activities			
Purchase/sale of own holdings	(20)	371	347
Share issue	-	855	855
Raising of subordinated capital	5	(1,095)	(1,044)
Issue of bonds	7,458	(1,473)	(6)
Cash flows from financing activities	7,443	(1,342)	152
Cash flows for the period	(3,818)	1,221	(215)
Cash equivalent positions at 1 Jan	7,421	6,200	6,200
Cash flows for the period	(3,818)	1,221	(215)
Total cash equivalent positions at end of period	3,603	7,421	5,985

Segment Statements – Sydbank Group

DKKkm	Sydbank				Total
	Banking	Markets	Treasury	Other	
Business segments Q1-Q3 2010					
Core income excl trading income	2,509	(19)	-	2	2,492
Trading income	587	464	-	-	1,051
Core income	3,096	445	-	2	3,543
Costs, core earnings	1,598	224	8	47	1,877
Core earnings before impairment	1,498	221	(8)	(45)	1,666
Impairment of loans and advances etc	945	(1)	-	-	944
Core earnings	553	222	(8)	(45)	722
Investment portfolio income	-	-	233	10	243
Profit before non-recurring items	553	222	225	(35)	965
Contribution to Private Contingency Association etc	-	-	-	384	384
Profit before tax	553	222	225	(419)	581

Business segments Q1-Q3 2009					
Core income excl trading income	2,506	(56)	-	-	2,450
Trading income	465	505	-	-	970
Core income	2,971	449	-	-	3,420
Costs, core earnings	1,613	222	8	39	1,882
Core earnings before impairment	1,358	227	(8)	(39)	1,538
Impairment of loans and advances etc	846	3	-	-	849
Core earnings	512	224	(8)	(39)	689
Investment portfolio income	-	-	388	2	390
Profit before non-recurring items	512	224	380	(37)	1,079
Contribution to Private Contingency Association etc	-	-	-	327	327
Profit before tax	512	224	380	(364)	752

Notes – Sydbank Group

Note 1

Accounting policies

The Interim Report has been prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by the EU and in compliance with additional Danish disclosure requirements for interim reports. As a result of the use of IAS 34, the presentation is less complete compared with the presentation of an annual report and the recognition and measurement principles are in compliance with IFRS.

The accounting policies are consistent with those adopted in the 2009 Annual Report, to which reference is made.

The 2009 Annual Report provides a comprehensive description of the accounting policies applied.

The measurement of certain assets and liabilities requires managerial estimates as to how future events will affect the value of such assets and liabilities. The significant estimates made by the management in the use of the Group’s accounting policies and the inherent considerable uncertainty of such estimates used in the preparation of the condensed interim report are identical to those used in the preparation of the annual report as at 31 December 2009.

The Group’s significant risks and the external elements which may affect the Group are described in detail in the 2009 Annual Report.

Notes – Sydbank Group

DKKm	Q1-Q3 2010	Q1-Q3 2009	Q3 2010	Q3 2009
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Note 2

Interest income

Reverse transactions with credit institutions and central banks	18	41	4	13
Amounts owed by credit institutions and central banks	70	146	27	32
Reverse loans and advances	62	273	17	45
Loans and advances and other amounts owed	2,372	2,958	787	883
Bonds	565	953	159	299
Derivatives	55	163	10	5
Other interest income	14	9	3	4
Total	3,156	4,543	1,007	1,281

Note 3

Interest expense

Repo transactions with credit institutions and central banks	77	4	15	(9)
Credit institutions and central banks	145	555	49	127
Repo deposits	1	6	0	-
Deposits and other debt	366	1,162	110	241
Bonds issued	69	161	32	32
Subordinated capital	47	93	16	21
Other interest expense	1	1	0	1
Total	706	1,982	222	413

Note 4

Fee and commission income

Securities trading and custody accounts	555	433	186	154
Payment services	146	120	51	42
Loan fees	73	61	27	22
Guarantee commission	89	67	28	24
Other fees and commission	133	127	37	37
Total	996	808	329	279

Note 5

Market value adjustments

Other loans and advances and amounts owed at fair value	(1)	(5)	(2)	(3)
Bonds	480	334	129	136
Shares etc	51	110	132	69
Foreign exchange	196	198	63	65
Derivatives	(291)	(142)	(132)	(69)
Assets related to pooled plans	386	653	118	378
Deposits in pooled plans	(386)	(653)	(118)	(378)
Other assets/liabilities	0	(1)	0	0
Total	435	494	190	198

Notes – Sydbank Group

DKKm	Q1-Q3 2010	Q1-Q3 2009	Q3 2010	Q3 2009
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Note 6

Staff costs and administrative expenses

Salaries and emoluments to:

Group Executive Management:

Salaries	11	8	2	3
Pensions	0	1	0	0
Severance pay	8	-	-	-
Board of Directors	3	3	1	1
Shareholders' Committee	1	1	1	0
Total	23	13	4	4

Staff costs:

Wages and salaries	869	898	271	281
Pensions	97	107	32	37
Social security contributions	3	6	0	4
Payroll tax etc	86	75	27	20
Total	1,055	1,086	330	342

Other administrative expenses:

IT	374	364	116	112
Rent etc	104	100	38	35
Marketing and entertainment expenses	57	50	17	14
Other expenses	209	184	61	54
Total	744	698	232	215
Total	1,822	1,797	566	561

Note 7

Staff

Average number of staff (full-time equivalent)	2,374	2,471	2,358	2,445
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Notes – Sydbank Group

DKKm	Q1-Q3 2010	Q1-Q3 2009	Q3 2010	Q3 2009
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Note 8

Impairment of loans and advances recognised in the income statement

Impairment and provisions	882	621	331	191
Write-offs	241	376	40	144
Recovered from debt previously written off	22	21	7	8
Impairment of loans and advances etc	1,101	976	364	327

Impairment and provisions at end of period

Individual impairment and provisions	2,219	1,209	2,219	1,209
Collective impairment and provisions	153	196	153	196
Impairment and provisions at end of period	2,372	1,405	2,372	1,405

Individual impairment of loans and advances and provisions for guarantees

Impairment and provisions at 1 Jan	1,637	954	1,955	1,136
Exchange rate adjustment	4	0	0	1
Impairment and provisions during the period	885	597	320	186
Other movements	94	-	0	-
Write-offs covered by impairment and provisions	401	342	56	114
Impairment and provisions at end of period	2,219	1,209	2,219	1,209

Individual impairment of loans and advances

Individual impairment of loans and advances	1,813	1,016	1,813	1,016
Individual provisions for guarantees	406	193	406	193
Impairment and provisions at end of period	2,219	1,209	2,219	1,209

Collective impairment of loans and advances and provisions for guarantees

Impairment and provisions at 1 Jan	141	152	137	194
Impairment and provisions during the period	12	44	16	2
Impairment and provisions at end of period	153	196	153	196

Individual impairment of loans advances subject to objective evidence of impairment

Balance before impairment of individually assessed loans and advances	3,634	2,116	3,634	2,116
Impairment of individually assessed loans and advances	1,813	1,016	1,813	1,016
Balance after impairment of individually assessed loans and advances	1,821	1,100	1,821	1,100

Note 9

Profit on holdings in associates and subsidiaries

Profit on holdings in associates etc	5	19	1	0
Total	5	19	1	0

Note 10

Effective tax rate

Current tax rate of Sydbank Group	25.0	25.0	25.0	25.0
Adjustment of prior year tax charges	0.0	0.1	0.0	0.1
Total	25.0	25.1	25.0	25.1

Notes – Sydbank Group

DKK m	30 Sep 2010	31 Dec 2009	30 Sep 2009
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Note 11

Amounts owed by credit institutions and central banks

Amounts owed at notice by central banks	900	3,554	560
Amounts owed by credit institutions	8,733	5,091	8,291
Reverse transactions	3,136	4,992	5,014
Total	12,769	13,637	13,865

Note 12

Other assets

Positive market value of derivatives etc	13,121	8,330	8,905
Sundry debtors	324	336	334
Interest and commission receivable	443	649	761
Other assets	1	1	2
Total	13,889	9,316	10,002

Note 13

Amounts owed to credit institutions and central banks

Amounts owed to central banks	543	12,522	20,668
Amounts owed to credit institutions	19,454	18,928	20,146
Repo transactions	17,794	13,956	4,283
Total	37,791	45,406	45,097

Note 14

Deposits and other debt

On demand	39,268	40,645	38,961
At notice	647	697	732
Time deposits	16,257	21,526	19,987
Special categories of deposits	5,347	5,912	5,601
Total	61,519	68,780	65,281

Note 15

Other liabilities

Negative market value of derivatives etc	12,708	7,488	8,205
Negative portfolio, reverse transactions	3,193	6,728	4,493
Sundry creditors	1,208	1,158	1,069
Interest and commission etc	211	146	489
Other liabilities	3	4	0
Total	17,323	15,524	14,256

Notes – Sydbank Group

DKKm	30 Sep 2010	31 Dec 2009	30 Sep 2009
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Note 16

Provisions

Provisions for pensions and similar obligations	3	3	4
Provisions for deferred tax	208	208	25
Provisions for guarantees *	406	240	193
Other provisions	26	26	24

Total	643	477	246
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* Of which Private Contingency Association	377	220	175
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Note 17

Subordinated capital

Interest rate		Nominal (m)	Maturity			
Floating	Bond loan	DKK 50	29.10.12	-	-	50
Floating	Bond loan	EUR 100	21.10.13	745	744	744
Floating	Bond loan	DKK 200	14.11.14	200	200	200
Floating	Bond loan	EUR 100	04.04.15	745	743	744
Floating	Bond loan	EUR 8	31.10.15	56	56	55

Total supplementary capital	1,746	1,743	1,793
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Floating	Bond loan	EUR 100	Perpetual	739	738	738
Floating	Bond loan	EUR 75	Perpetual	559	558	559
6.36	Bond loan	DKK 85	Perpetual	85	85	85

Total hybrid core capital	1,383	1,381	1,382
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Total	3,129	3,124	3,175
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Note 18

Contingent liabilities and other obligating agreements

Contingent liabilities

Financial guarantees	1,859	2,702	2,668
Mortgage finance guarantees	2,615	2,343	1,363
Registration and remortgaging guarantees	5,002	5,057	3,824
Loss guarantee/guarantee, Private Contingency Association	374	531	576
Other contingent liabilities	1,354	1,420	1,358

Total	11,204	12,053	9,789
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Other obligating agreements

Irrevocable credit commitments	6	14	10
Other liabilities	55	61	55

Total	61	75	65
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Notes – Sydbank Group

Note 18 – continued

A group of minority shareholders (“Foreningen af Minoritetsaktionærer i bankTrelleborg”) has filed a class action regarding the legality of the compulsory redemption against Fonden for bankTrelleborg, Sydbank and the Danish FSA. In continuation of the compulsory redemption of the shares in bankTrelleborg, the shares were priced by appraisers in accordance with section 144 (4) of the Danish Financial Business Act. A few shareholders have brought the findings of the appraisers before the courts as regards Fonden for bankTrelleborg and Sydbank.

Moreover, in 2009 the group of minority shareholders (“Foreningen af Minoritetsaktionærer i bankTrelleborg”) filed an action against Sydbank regarding an inadequate prospectus in connection with the conversion of sparTrelleborg to bankTrelleborg.

In addition, the Group is party to a number of legal actions. These actions are under continuous review and the necessary provisions made are based on an assessment of the risk of loss. Pending legal actions are not expected to have any significant impact on the financial position of the Group.

Note 19

Repo and reverse transactions

In connection with repo transactions, which involve selling securities to be repurchased at a later date, the securities remain on the balance sheet, and consideration received is recognised as a deposit. Repo transaction securities are treated as assets provided as collateral for liabilities. At 30 September 2010, the fair value of such securities stood at DKK 17,685m.

In connection with reverse transactions, which involve buying securities to be resold at a later date, the Group is entitled to sell the securities or deposit them as collateral for other loans. The securities are not recognised on the balance sheet and consideration paid is recognised as a loan. At 30 September 2010, the fair value of such securities stood at DKK 9,528m.

Assets received as collateral in connection with reverse transactions may be resold to a third party. In such instances a negative portfolio may exist as a result of accounting rules. Any negative portfolio is recognised under “Other liabilities”.

Note 20

Collateral

As at 30 September 2010, the Group had deposited as collateral securities at a market value of DKK 2,733m with Danish and foreign exchanges and clearing centres etc in connection with margin calls and securities settlements etc.

Note 21

Related parties

Sydbank is the bank of a number of related parties. Transactions with related parties are settled on an arm’s length basis.

No unusual transactions took place with related parties in Q1-Q3 2010. Reference is made to the Group’s 2009 Annual Report for a detailed description of transactions with related parties.

Note 22

Reporting events occurring after the balance sheet date

After the expiry of Q3 no matters of significant impact on the financial position of the Sydbank Group have occurred.

Note 23

Large shareholders

Two shareholders have each reported a holding of at least 5% of Sydbank’s share capital:

ATP, Copenhagen
Nykredit A/S, Copenhagen

Notes – Sydbank Group

DKKm	Q1-Q3 2010	Q1-Q3 2009	Index 10/09	Full year 2009
Note 24				
Core income				
Core income excl trading income				
Interest margins etc	2,073	2,079	100	2,776
Mortgage credit	165	166	99	221
Payment services	113	108	105	159
Remortgaging and loan fees	70	61	115	83
Other commission	54	41	132	59
Other operating income	17	16	106	22
Total	2,492	2,471	101	3,320
Mortgage credit				
Totalkredit cooperation	139	123	113	168
Totalkredit, set-off of loss	10	6	167	8
Totalkredit cooperation, net	129	117	110	160
DLR Kredit	29	43	67	52
Other mortgage credit income	7	6	117	9
Total	165	166	99	221
Trading income				
Bonds	257	243	106	292
Shares	211	192	110	258
Foreign exchange	169	185	91	234
Money market	104	138	75	178
Asset management	310	212	146	304
Total	1,051	970	108	1,266

Notes – Sydbank Group

	Q3	Q2	Q1	Q4	Q3	Q2	Q1
DKKm	2010	2010	2010	2009	2009	2009	2009

Note 24 – continued

Core income excl trading income

Interest margins etc	692	689	692	697	701	679	699
Mortgage credit	55	61	49	55	57	61	48
Payment services	40	33	40	51	33	43	32
Remortgaging and loan fees	26	21	23	22	21	21	19
Other commission	12	22	20	18	13	11	17
Other operating income	7	5	5	6	5	4	7
Total	832	831	829	849	830	819	822

Mortgage credit

Totalkredit cooperation	49	47	43	45	46	47	30
Totalkredit, set-off of loss	6	3	1	2	3	3	0
Totalkredit cooperation, net	43	44	42	43	43	44	30
DLR Kredit	10	15	4	10	12	15	16
Other mortgage credit income	2	2	3	2	2	2	2
Total	55	61	49	55	57	61	48

Trading income

Bonds	77	73	107	49	88	94	61
Shares	64	66	81	66	67	78	47
Foreign exchange	48	65	56	49	51	57	77
Money market	31	23	50	40	45	67	26
Asset management	105	100	105	92	78	73	61
Total	325	327	399	296	329	369	272

Management Statement

Today we have reviewed and approved the Interim Report – Q1-Q3 2010 of Sydbank A/S.

The consolidated interim financial statements for Q1-Q3 2010 have been prepared in accordance International Financial Reporting Standards as adopted by the EU. Furthermore, the Interim Report has been prepared in compliance with additional Danish disclosure requirements for interim reports of listed financial companies. The Interim Report has not been audited or reviewed.

We consider the accounting policies applied to be appropriate and the Interim Report gives a true and fair view of the Group's assets, shareholders' equity and liabilities and financial position at 30 September 2010 and of the results of the Group's operations and consolidated cash flows for the accounting period 1 January-30 September 2010 as well as a description of the most significant risks and elements of uncertainty which may affect the Group.

Aabenraa, 26 October 2010

Group Executive Management

Karen Frøsig
(CEO)

Preben L. Hansen

Allan Nørholm

Board of Directors

Kresten Philipsen
(Chairman)

Anders Thoustrup
(Vice-Chairman)

Svend Erik Busk

Otto Christensen

Peder Damgaard

Harry Max Friedrichsen

Hanni Toosbuy Kasprzak

Sven Rosenmeyer Paulsen

Steen Tophøj

Jan Uldahl-Jensen

Margrethe Weber

Supplementary Information

Financial Calendar

In 2011 the Group's financial statements will be released as follows:

- 2010 Annual Report
15 February 2011
- General Meeting
10 March 2011
- Interim Report – Q1 2011
26 April 2011
- Interim Report – First Half 2011
16 August 2011
- Interim Report – Q1-Q3 2011
25 October 2011

Sydbank contacts

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Relevant links

sydbank.dk
sydbank.com

For further information reference is made to Sydbank's 2009 Annual Report at www.sydbank.com/about/ir/finreports.



MEMORANDUM

**Danish Financial
Supervisory Authority**

15 October 2010

Statement on inspection of Sydbank A/S

Introduction

The Danish Financial Supervisory Authority (FSA) conducted an inspection of Sydbank in May/June 2010 regarding loans and advances to retail clients and in August/September 2010 regarding loans and advances to corporate clients as well as other areas.

The inspection was an ordinary inspection where the review of the bank's significant areas was based on a risk-based assessment where most time was spent on the areas involving the greatest risks.

During the inspection the main emphasis was on credit risk. Furthermore, the Danish FSA reviewed the performance of duties of the board of directors, the application of internal ratings based (IRB) models for solvency purposes, the bank's solvency need as well as the bank's liquidity risk.

This statement is published in accordance with the Danish executive order on the duty of financial and mortgage credit institutions to publish the Danish FSA's assessment of the institution.

Summary and risk assessment

The Danish FSA inspected 247 retail client loan exposures and 243 corporate client loan exposures – including loan exposures to the bank's board of directors and executive management. The largest exposures were selected on a subjective basis by the Danish FSA whereas the remaining exposures were selected on the basis of several different random samples.

The Danish FSA did not find grounds to order the bank to increase its impairment charges as regards individually assessed loans and advances. However the Danish FSA found a limited number of exposures where objective evidence of impairment had not been identified or had been identified too late by the bank. In these cases the bank had not determined the impairment charges in time. Moreover, in a limited number of cases, the esti-

mates of future cash flows in the bank's determination of the impairment charges were too optimistic. The bank was ordered to ensure compliance with the rules regarding the determination of impairment charges with respect to individually assessed loans and advances.

In addition, it was the opinion of the Danish FSA that the model-based collective impairment charges should be larger than shown by the bank's models. The bank was therefore ordered to adjust its models for collective impairment charges or to supplement them with estimates of the board of directors and executive management.

The Danish FSA assessed that the bank's procedures generally supported the identification of critical exposures. Furthermore, the Danish FSA found that the bank's credit management of loans and advances to retail clients and to ordinary enterprises was better than the average of major banks.

The Danish FSA noted that, to a greater extent than other major banks, the bank grants loans without collateral or with limited collateral and without a repayment schedule agreement, which may involve an increased risk for the bank regardless of the fact that the borrower's credit worthiness at the time of approval was satisfactory.

The Danish FSA also noted that, to a significant extent, the bank has granted loans and advances for speculative investment activities. In some cases, the credit management of these loans has not been satisfactory, for instance as regards approved departures from the bank's business procedures concerning stop loss terms. As a consequence of this, together with the financial crisis, the bank has suffered losses and faced challenges in securing debt repayment. However, in the opinion of the Danish FSA, loans and advances for speculative investment activities complying with the bank's business procedures did not involve an increased risk.

Furthermore, the FSA reviewed the performance of duties of the board of directors and ordered the board of directors to consider the bank's significant risks to a greater extent. Discussions on risks etc must appear from the minutes of the board meeting and the Danish FSA emphasised that the board of directors must discuss the loan exposures which are submitted for approval. In this respect exposures to the board of directors and executive management in accordance with legislation must be monitored particularly carefully in accordance with legislation. The Danish FSA pointed out that one of these exposures involved an increased risk where strict management was considered to be required. As a rule, exposures to the board of directors and executive management that have an increased risk of loss should be avoided.

The review of the bank's application of internal ratings based (IRB) models for solvency purposes comprised, among other factors, the bank's most recent validation reports of the models applied, ie reports where the bank has analysed the models' ability to predict losses on loans and advances to clients.

The Danish FSA noted that the financial crisis has caused increased uncertainty associated with the results of the models. The validation results were analysed on the basis of the bank's application of very cyclical models where increased uncertainty may be expected in unstable economic conditions. With respect to the bank's corporate clients, the increased uncertainty was mainly ascribable to the fact that the newest and more forward-looking information is used only to a limited extent. With respect to the remaining models, the uncertainty is primarily a consequence of limited data.

With respect to the bank's retail clients, the bank's credit-related treatment of clients differs in certain cases from that dictated by the models, without it having any effect on solvency. The bank was ordered to ensure that the credit-related treatment was reflected in the solvency.

Moreover, in its review of loan exposures, the Danish FSA assessed whether the models gave a fair representation of the risk of loss as regards the individual client. In the opinion of the Danish FSA, the models underestimated the risk to a certain degree and the bank had not allowed sufficiently for this by means of manual adjustments. The bank was ordered to rectify this.

As a result of the increased uncertainty and the underestimated risk, the Danish FSA concluded that the bank's solvency need should be increased.

The bank has calculated the individual solvency need at 30 June 2010 at 9.0%. Its actual solvency ratio at 30 June 2010 was 15.7%. As stated above, the Danish FSA noted during the review of loan exposures and IRB models that an increased solvency need was required.

Consequently, the bank raised its solvency need to 9.6%. The Danish FSA assessed that this takes into account the additional risks identified during the inspection.

Moreover, the Danish FSA reviewed the bank's actual liquidity and liquidity management. Actual liquidity was assessed to be satisfactory, despite a considerable volume of short-term debt to credit institutions. The Danish FSA ordered the bank to increase its written documentation and level of reporting in the bank's internal liquidity management.

Appendix 2

Sydbank's comments to "Statement on inspection of Sydbank A/S" issued by the Danish FSA

The Danish FSA regularly conducts inspections of Danish financial and mortgage credit institutions. After each inspection the Danish FSA prepares a statement which the financial and mortgage credit institution must publish in accordance with the Danish executive order on the duty of financial and mortgage credit institution to publish the Danish FSA's assessment of the institution.

The statement must be published no later than on the last weekday of the quarter in which it was received. Publication must take place on the bank's website.

The Danish FSA's review of Sydbank comprises retail clients as well as corporate clients. The Danish FSA inspected 247 retail client loan exposures and 243 corporate client loan exposures – including loan exposures to the bank's board of directors and executive management.

Sydbank has the following comments to "Statement on inspection of Sydbank A/S" issued by the Danish FSA.

Sydbank notes with satisfaction that the Danish FSA did not find grounds to order the bank to increase its impairment charges as regards loans and advances.

Sydbank also notes with satisfaction that, in the assessment of the Danish FSA, the bank's procedures generally support the identification of critical exposures and that the bank's credit management of loans and advances to retail clients and to ordinary enterprises is assessed by the Danish FSA to be better than the average of major banks.

The Danish FSA has issued several orders.

The first order concerns ensuring compliance with the rules regarding the determination of impairment charges with respect to individually assessed loans and advances. Sydbank has tightened its practices to ensure that the rules are observed.

The second order concerns adjusting the bank's models for collective impairment charges or supplementing them with estimates of the board of directors and executive management. Sydbank adjusts and develops the models for collective impairment charges on an ongoing basis and the bank has supplemented the model-calculated impairment charges as at 30 September 2010 with a management estimate of an additional DKK 25m.

The third order concerns the board of directors, which is addressed separately by the chairman of the board of directors.

The fourth order concerns the bank's credit-related treatment of retail clients which differs in certain cases from that dictated by the models, without it having any effect on solvency. The bank has adjusted the solvency need accordingly.

The fifth order concerns the Danish FSA's opinion that the bank's IRB models underestimate to a certain extent the risk of loss as regards the individual client and that the bank has not allowed sufficiently for this by means of manual adjustments, Sydbank has tightened its practices and business procedures, for instance by increasing focus on data quality and adjusting the solvency accordingly.

The sixth order concerns the fact that the bank must increase the extent of written documentation and the level of reporting in the bank's internal liquidity management. Sydbank has addressed the issues of increased written documentation and reporting.

Comments by the board of directors of Sydbank to "Statement on inspection of Sydbank A/S" issued by the Danish FSA

The board of directors of Sydbank takes note of the order of the Danish FSA that the board of directors consider the bank's most significant risks to a greater extent. Already in connection with the upcoming board meetings, the board of directors has implemented a number of initiatives to comply with the order.