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**Company Announcement No 03/2014**

31 January 2014

Dear Sirs

**Increase of Sydbank's solvency need**

Sydbank has received the Danish FSA statement on the inspection of the credit area etc conducted in November and December 2013.

The inspection showed – as previously disclosed – a need for Sydbank to increase its impairment charges for credit exposures and to increase its solvency need.

The increase of the impairment charges has been implemented and is within the expected total level of impairment charges for 2013 as announced in Sydbank's Company Announcement No 16/2013 of 5 December 2013, which concerns the same inspection.

The Bank's solvency need at 30 September 2013 has been changed from 9.5% to 10.4%. The increase was prompted by the assessment that the Bank's governance was not acceptable for a bank of Sydbank's size and that special credit risks in respect of weak exposures had not been taken into account. Sydbank's actual solvency ratio represented 16.9% at 30 September 2013.

The Danish FSA has ordered the Bank to improve conditions within the mentioned areas. Sydbank has already implemented measures to improve the conditions as pointed out by the Danish FSA.

Yours sincerely



Anders Thoustrup  
Chairman  
Board of Directors



Karen Frøsig  
CEO