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Dear Sirs

Comprehensive assessment of the financial health of European banks

Sydbank has participated in a comprehensive assessment of the financial health of European banks.

The assessment, carried out across 123 banks, seeks to assess the resilience of European banks, including the banks' solvency, to severe shocks under hypothetical adverse scenarios. The assessment began in November 2013 and has consequently lasted for 12 months.

The comprehensive assessment comprises two elements:

1. Asset quality review (AQR)
2. EU-wide stress test

Asset quality review (AQR)

The AQR increases the transparency of banks' exposures, including the valuation of assets and the adequacy of value adjustments made.

The AQR has been conducted by the Danish FSA according to guidelines established by the European Central Bank (ECB). The AQR was more comprehensive compared with previous analyses conducted by the Danish FSA.

The Danish FSA's statement as regards the AQR has been enclosed as an appendix. The Danish FSA has assessed that additional impairment charges at 31 December 2013 of DKK 75m should be recorded, which is considered insignificant.

The need for impairment charges of DKK 75m is composed of:

- Individual impairment charges of DKK 51m which are included in the impairment charges for Q1 2014.
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- Collective impairment charges of DKK 24m which are included in the Bank's impairment charges for Q3 2014.

The result of the review does not give rise to change the expectations announced in the interim report for the first half of 2014 as regards impairment charges for loans and advances for 2014 which are still expected to represent around DKK 700-800m.

2014 EU-wide stress test

The 2014 EU-wide stress test has been conducted by the European Banking Authority (EBA) in cooperation with national authorities, the European Central Bank (ECB), the European Commission and the European Systemic Risk Board (ESRB). From Denmark the Danish FSA participated as the national authority.

The stress test is based on the EBA's common methodology and guidelines as described in the EBA's Methodological note. Neither the result of the baseline scenario nor the result of the adverse scenario can in any way be construed as Sydbank's forecasts or be compared to other information published by Sydbank.

The stress test uses a baseline scenario and an adverse scenario that covers the period 2014-2016.

The baseline scenario is based on the European Commission's forecast from February 2014 which is in line with the current expected economic development in the case of Denmark.

The adverse scenario has been designed by the ESRB and reflects the systemic risks that are currently assessed as representing the most pertinent threats to the stability of the EU banking sector.

The assumptions and methodology were developed to assess banks' Common Equity Tier 1 capital against a fixed minimum of 8.0% and 5.5% under the baseline scenario and the adverse scenario, respectively.

Sydbank is pleased that the EU-wide stress test has been conducted and with the Group's individual results indicating:

- great resilience to adverse economic developments in the period 2014-2016
- no appreciable exposure to governments and banks in countries with increased risk
- a very robust capital structure.

Under the baseline scenario Sydbank's CET1 ratio rises to 15.5% in 2016 compared with 13.7% at year-end 2013, equal to 7.5 percentage points more than the fixed minimum of 8.0%.

Under the adverse scenario Sydbank's CET1 ratio decreases to 12.9% in 2016 compared with 13.7% at year-end 2013, equal to 7.4 percentage points more than the fixed minimum of 5.5%.

Detailed results

The detailed results of the stress test under the baseline and adverse scenarios as well as information on banks' credit exposures and exposures to central and local governments are provided in the accompanying disclosure templates based on the common format provided by the EBA.

Further information

See more details on the scenarios, assumptions and methodology on the EBA's website: <http://www.eba.europa.eu/risk-analysis-and-data/eu-wide-stress-testing/2014>

Yours sincerely



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Appendices

Danish FSA statement

AQR template

Stress template