

Copenhagen Stock Exchange  
London Stock Exchange  
Bourse de Luxembourg  
Other stakeholders

## Stock Exchange Announcement No 08/06

Date

14 August 2006

Dear Sirs

### Sydbank's 2006 Interim Report

- **57% rise in core earnings**
- **Upgrade of 2006 outlook**

Sydbank recorded a pre-tax profit of DKK 866m for the first six months of 2006, equal to a return of 34% p.a. on average shareholders' equity (Tier 1).

Core earnings improved by 57% – from DKK 516m in 1H 2005 to DKK 808m generated by growth in lending, a sharp rise in trading income and net recognition in the income statement of impairment of loans and advances etc.

Profit from investment portfolios amounts to DKK 58m.

Post-tax profit represents DKK 625m, equal to a return of 25% p.a. on average shareholders' equity (Tier 1). Book value stands at DKK 77 per share outstanding.

In summary, performance and business developments are considered highly satisfactory.

### **Upgrade of core earnings outlook for 2006**

On the basis of realized core earnings for the first six months as well as current business and earnings developments, core earnings for 2006 will make up around DKK 1,375-1,525m. As a result the previously published core earnings outlook is upgraded by DKK 200m.

### **Core income**

Core income excl trading income represents DKK 1,101m – an increase of 14% compared to the same period last year. Income from interest margins etc went up by DKK 148m – just over 20% – to DKK 870m triggered by growth in ordinary loans and advances of 28% and stable interest margin developments. Retail customers and medium-sized enterprises account for the biggest share of the growth in loans and advances. The Group's long-term lending to residential and real property finance is limited. The growth in loans and advances is projected to decrease in 2H 2006.

### **Group Executive Management**

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Trading income improved by 33% – from DKK 529m in 1H 2005 to DKK 705m in 1H 2006. The rise was sharpest in Q1; however a high earnings level was maintained during Q2 despite significant turmoil on the financial markets. The favourable business and earnings developments are supported by high activity and substantial demand not least by private banking clients' trading in equities and investment units. Moreover businesses' foreign exchange and interest rate hedging makes a significant contribution to the sharp rise in trading income. In the light of market developments a lower trading activity and income is projected for 2H.

<b>Income statement 1H (DKKm)</b>	<b>2006</b>	<b>2005</b>
Core income excl trading income	1,101	962
Trading income	705	529
<b>Total core income</b>	<b>1,806</b>	<b>1,491</b>
Costs and depreciation	1,020	925
Impairment of loans and advances etc	(22)	50
<b>Core earnings</b>	<b>808</b>	<b>516</b>
Profit from investment portfolios	58	75
<b>Profit before tax</b>	<b>866</b>	<b>591</b>
Tax	241	171
<b>Profit after tax</b>	<b>625</b>	<b>420</b>

Total core income amounts to DKK 1,806m (2005: DKK 1,491m).

### **Costs and depreciation**

Costs and depreciation related to core income grew by DKK 95m (10%) to DKK 1,020m.

The rise is mainly ascribable to an increase of 80 in the number of employees from end-1H 2005 to 2,172 at end-1H 2006 – a rise which was generated by mounting activity. In the first six months of 2006 two small branches merged with other branches bringing the number of branches to 110 – including two in Germany. On 1 September 2006 Sydbank will open a newly built branch in Ballerup and around the turn of the year the third Sydbank branch in Germany will open in Kiel.

The growth rate of costs for 2006 is projected to stand at around 8%.

### **Impairment of loans and advances etc**

In 1H 2006 impairment of loans and advances etc of DKK 22m was recognized as net income in contrast to 1H 2005 when DKK 50m was charged to the income statement. This positive trend reflects the favourable business conditions in Denmark as well as a reduced credit risk of the portfolio.

### **Core earnings**

Total core earnings constitute DKK 808m compared with DKK 516m in 1H 2005, representing a rise in core earnings of 57%.

### Profit from investment portfolios

Profit from investment portfolios amounts to DKK 58m for the first six months of 2006 (2005: DKK 75m).

### Subsidiaries

The pre-tax profits of SBK-Invest A/S, undertaking mainly leasing and factoring, and of DMK-Holding A/S, engaged in company administration, represent DKK 13m (2005: DKK 8m) and DKK 7m (2005: DKK 13m), respectively. The subsidiary bank, Sydbank (Schweiz) AG in St. Gallen, recorded a pre-tax profit of DKK 2m (2005: loss of DKK 2m). The total profit of the subsidiaries has been included in Group core earnings.

### Profit after tax

The Group's pre-tax profit makes up DKK 866m. Less a calculated tax charge of DKK 241m, profit stands at DKK 625m and book value at DKK 77 per share outstanding.

### Balance sheet

At 30 June 2006 the Group's total assets amount to DKK 107bn (31 December 2005: DKK 99bn).

<b>Assets (DKKbn)</b>	<b>30 Jun 2006</b>	<b>31 Dec 2005</b>
Amounts owed by credit institutions etc	10.8	15.0
Loans and advances at fair value (reverse repo transactions)	7.2	7.2
Loans and advances at amortised cost (ordinary loans and advances)	61.1	53.5
Securities and holdings etc	17.6	13.4
Assets related to pooled plans	5.9	5.6
Other assets etc	4.9	4.2
<b>Total</b>	<b>107.5</b>	<b>98.9</b>

In 1H 2006 ordinary loans and advances increased by DKK 7.6bn to DKK 61.1bn. The rise constitutes 28% or DKK 13.6bn compared with 1H 2005. Loans granted by Sydbank in Germany and Switzerland constitute just over DKK 1.1bn.

<b>Debt and provisions (DKKbn)</b>	<b>30 Jun 2006</b>	<b>31 Dec 2005</b>
Amounts owed to credit institutions etc	25.3	25.7
Deposits and other debt	46.0	43.6
Deposits in pooled plans	5.9	5.6
Bonds issued	10.4	6.7
Other liabilities etc	11.0	9.2
Provisions	0.2	0.3
<b>Total</b>	<b>98.8</b>	<b>91.1</b>

In 1H 2006 the Group's deposits and other debt grew by DKK 2.4bn to DKK 46.0bn and bonds issued went up by DKK 3.7bn to 10.4bn.

## **Capital and solvency**

In 1H 2006 EUR 65m was repaid and EUR 100m was raised as supplementary capital (Tier 2), and a further EUR 51m was raised as hybrid Tier 1 capital. As of 30 June 2006 supplementary capital (Tier 2) represents DKK 2,532m and hybrid Tier 1 capital DKK 940m. The Group's total subordinated capital grew by DKK 641m to DKK 3,472m during the first six months.

Share capital makes up DKK 700,000,000 or 70,000,000 shares. The number of shares outstanding has been reduced from 68,355,127 (97.7%) at the beginning of the year to 67,429,115 (96.3%).

Shareholders' equity (Tier 1) has been increased by DKK 193m since year-end and constitutes DKK 5,179m as of 30 June 2006. The changes are ascribable to dividend distribution etc of net DKK 214m, net purchase of own shares of DKK 206m, tax on equity items of DKK 12m and profit for the half-year of DKK 625m.

The Group's solvency (total capital) ratio stands at 10.4%, the core capital (Tier 1) ratio amounts to 7.3%, and the core capital (Tier 1) ratio (excl hybrid core capital) represents 6.2%. Incorporating profit for the period, the solvency (total capital) ratio is 11.3%, including a core capital (Tier 1) ratio of 8.2% and a core capital (Tier 1) ratio (excl hybrid core capital) of 7.1%.

The rise from DKK 65.7bn at the beginning of the year in risk weighted items to DKK 73.3bn at the end of 1H 2006 is mainly ascribable to the growth in loans and advances.

## **Rating**

Moody's ratings remain unchanged: A2 (long-term), P-1 (short-term) and C+ (financial strength).

## **Outlook for 2006**

Performance and customer developments were highly satisfactory in the first six months of 2006.

In comparison with the full year outlook which was published in the Q1 2006 Report, core income was high in 1H 2006. As a result the 2006 core earnings outlook is upgraded by DKK 200m to DKK 1,375-1,525m. All other expectations remain unchanged.

The Group's Q1-Q3 2006 Report has been scheduled for 24 October 2006.

The 2006 Interim Report has not been audited.

Yours faithfully



Carsten Andersen  
Group Chief Executive

## GROUP FINANCIAL HIGHLIGHTS

	1H 2006	1H 2005	1H 2004	1H 2003	1H 2002	Full year 2005
<b>Income statement (DKK m)</b>						
Core income excl trading income	1,101	962	962	959	929	2,013
Trading income	705	529	376	320	240	1,079
<b>Total core income</b>	<b>1,806</b>	<b>1,491</b>	<b>1,338</b>	<b>1,279</b>	<b>1,169</b>	<b>3,092</b>
Costs and depreciation	1,020	925	867	812	785	1,853
Impairment of loans and advances etc	(22)	50	148	149	149	65
<b>Core earnings</b>	<b>808</b>	<b>516</b>	<b>323</b>	<b>318</b>	<b>235</b>	<b>1,174</b>
Profit from investment portfolios	58	75	74	136	76	139
<b>Profit before tax</b>	<b>866</b>	<b>591</b>	<b>397</b>	<b>454</b>	<b>311</b>	<b>1,313</b>
Tax	241	171	121	153	95	377
<b>Profit after tax</b>	<b>625</b>	<b>420</b>	<b>276</b>	<b>301</b>	<b>216</b>	<b>936</b>
<b>Balance sheet highlights (DKK bn)</b>						
Loans and advances at amortised cost	61.1	47.5	37.5	34.7	32.5	53.5
Loans and advances at fair value	7.2	7.9	6.3	4.7	4.9	7.2
Deposits and other debt	46.0	42.2	37.1	35.5	32.8	43.6
Bonds issued at amortised cost	10.4	1.9	1.9	1.9	1.9	6.7
Subordinated capital (Tier 2)	3.5	2.1	1.3	1.5	1.2	2.8
Shareholders' equity (Tier 1)	5.2	4.5	4.1	4.1	3.5	5.0
Total assets	107.5	88.6	69.0	69.8	70.1	98.9
<b>Financial ratios per share (DKK per share of DKK 10)</b>						
EPS Basic *	9.1	6.1	3.6	4.1	3.0	13.7
EPS Diluted *	9.1	6.1	3.6	4.1	3.0	13.7
Share price at end of period	193.5	137.8	89.5	68.7	49.0	151.0
Book value **	76.8	66.0	58.1	54.9	46.6	72.9
Share price/book value **	2.52	2.09	1.54	1.25	1.05	2.07
Average number of shares outstanding (in millions)	68.4	68.6	70.8	73.6	72.7	68.6
<b>Other financial ratios and key figures</b>						
Solvency (total capital) ratio	10.4	10.0	10.1	10.5	10.4	11.1
Core capital (Tier 1) ratio	7.3	7.8	8.1	7.9	7.6	8.1
Pre-tax profit as % of avg shareholders' equity	17.0	13.2	9.7	11.4	9.2	27.9
Post-tax profit as % of avg shareholders' equity	12.3	9.4	6.8	7.6	6.4	19.9
Income/cost ratio (DKK)	1.86	1.60	1.39	1.47	1.33	1.68
Interest rate risk	2.2	3.4	2.4	5.3	4.8	2.3
Foreign exchange position	10.9	12.0	5.3	15.7	2.9	2.8
Foreign exchange risk	0.1	0.1	0.0	0.1	0.1	0.1
Loans and advances relative to deposits ***	1.2	1.0	0.9	1.0	1.0	1.1
Loans and advances relative to shareholders' equity ***	11.8	10.5	9.2	8.4	9.3	10.7
Growth in loans and advances for the period ***	14.1	13.7	7.5	2.3	(0.9)	28.0
Excess cover relative to statutory liquidity requirements	38.8	74.9	152.0	88.7	110.0	95.1
Total large exposures	64.9	102.2	79.1	99.9	95.2	93.9
Accumulated impairment ratio	1.9	2.2	2.7	2.8	2.9	2.1
Impairment ratio for the period	(0.03)	0.07	0.27	0.30	0.32	0.09
Number of full-time staff at end of period	2,172	2,092	2,024	1,979	1,958	2,123

\* Calculation based on average number of shares outstanding.

\*\* Calculation based on number of shares outstanding at end of period.

\*\*\* Ratios calculated on the basis of loans and advances at amortised cost.

The financial ratios are prepared according to "Recommendations & Financial Ratios 2005" published by the Danish Society of Financial Analysts.

## INCOME STATEMENT FOR THE FIRST HALF-YEAR

DKKm	Note	Sydbank Group		Sydbank A/S	
		2006	2005	2006	2005
Interest income	3	1,797	1,377	1,766	1,350
Interest expense	4	886	539	890	539
<b>Net interest income</b>		<b>911</b>	<b>838</b>	<b>876</b>	<b>811</b>
Dividends on shares		18	10	18	10
Fee and commission income	5	757	547	733	517
Fee and commission expense		127	65	124	64
<b>Net interest and fee income</b>		<b>1,559</b>	<b>1,330</b>	<b>1,503</b>	<b>1,274</b>
Market value adjustments	6	299	231	296	230
Other operating income		10	11	8	9
Staff costs and administrative expenses	7	982	890	945	858
Depreciation and impairment of property, plant and equipment		43	40	42	37
Other operating expenses		0	0	0	0
Impairment of loans and advances etc	9	(22)	50	(23)	46
Profit/(Loss) on holdings in associates and subsidiaries	10	1	(1)	23	19
<b>Profit before tax</b>		<b>866</b>	<b>591</b>	<b>866</b>	<b>591</b>
Tax	11	241	171	241	171
<b>Profit after tax</b>		<b>625</b>	<b>420</b>	<b>625</b>	<b>420</b>

## BALANCE SHEET

DKKm	Note	Sydbank Group		Sydbank A/S	
		30 Jun 2006	31 Dec 2005	30 Jun 2006	31 Dec 2005
<b>Assets</b>					
Cash and balances on demand					
at central banks		739	4,037	725	4,023
Amounts owed by credit institutions and central banks	12	10,087	10,967	10,410	11,096
Loans and advances at fair value		7,178	7,174	7,178	7,174
Loans and advances at amortised cost		61,101	53,538	60,543	53,262
Bonds at fair value		15,825	12,248	15,825	12,248
Shares etc		1,660	1,026	1,658	1,024
Holdings in associates etc		145	143	145	143
Holdings in subsidiaries		-	0	256	236
Assets related to pooled plans		5,880	5,615	5,880	5,615
Total land and buildings		774	748	598	587
– investment property		44	45	44	45
– owner-occupied property		730	703	554	542
Other property, plant and equipment		99	94	96	91
Current tax assets		3	84	3	49
Deferred tax assets		-	-	58	58
Other assets	13	3,934	3,203	3,794	3,116
Prepayments		44	36	44	35
<b>Total assets</b>		<b>107,469</b>	<b>98,913</b>	<b>107,213</b>	<b>98,757</b>
<b>Shareholders' equity and liabilities</b>					
Amounts owed to credit institutions and central banks		25,306	25,692	25,406	25,746
Deposits and other debt	14	45,956	43,590	45,727	43,513
Deposits in pooled plans		5,880	5,615	5,880	5,615
Bonds issued at amortised cost		10,430	6,701	10,430	6,701
Current tax liabilities		133	20	162	20
Other liabilities	15	10,811	9,155	10,720	9,091
Deferred income		57	56	0	0
<b>Total liabilities</b>		<b>98,573</b>	<b>90,829</b>	<b>98,325</b>	<b>90,686</b>
Provisions	16	245	267	237	254
Subordinated capital (Tier 2)	17	3,472	2,831	3,472	2,831
Shareholders' equity (Tier 1)	1	5,179	4,986	5,179	4,986
<b>Total shareholders' equity and liabilities</b>		<b>107,469</b>	<b>98,913</b>	<b>107,213</b>	<b>98,757</b>

## ACCOUNTING POLICIES

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The accounting policies applied are consistent with those adopted in the 2005 Annual Report .

## GROUP STRUCTURE

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Activity	Share capital (in millions)	Shareholders' equity (DKKm)	Profit *) (DKKm)	Ownership share (%)	
<b>Sydbank A/S</b>	DKK 700				
<b>Consolidated subsidiaries:</b>					
SBK-Invest A/S	Leasing and factoring	DKK 11	17	21	100
DMK-Holding A/S	Company administration	DKK 11	30	15	100
Sydbank (Schweiz) AG, St. Gallen, Switzerland	Banking	CHF 40	188	(7)	100
Ejendomsselskabet af 1. juni 1986 A/S	Real property	DKK 6	1	(9)	100

All consolidated subsidiaries are domiciled in Aabenraa,  
unless otherwise stated.

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### Associates:

Foreningen Bankdata, Fredericia	IT	DKK 248	282	1	53
I/S Margretheparken, Aalborg	Real property	DKK 6	4	0	40

\*) According to the most recent annual report

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**Sydbank Group**

	Q2	Q1	Q4	Q3	Q2	Q1
DKKm	2006	2006	2005	2005	2005	2005

**SIX QUARTER SUMMARY**

Core income excl trading income	568	533	545	506	483	479
Trading income	316	389	269	282	298	230
<b>Total core income</b>	<b>884</b>	<b>922</b>	<b>814</b>	<b>788</b>	<b>781</b>	<b>709</b>
Costs and depreciation	486	534	507	421	455	470
Impairment of loans and advances etc	(14)	(8)	7	9	29	20
<b>Core earnings</b>	<b>412</b>	<b>396</b>	<b>300</b>	<b>358</b>	<b>297</b>	<b>219</b>
Profit from investment portfolios	(21)	79	26	38	59	16
<b>Profit before tax</b>	<b>391</b>	<b>475</b>	<b>326</b>	<b>396</b>	<b>356</b>	<b>235</b>
Tax	108	133	94	112	99	72
<b>Profit after tax</b>	<b>283</b>	<b>342</b>	<b>232</b>	<b>284</b>	<b>257</b>	<b>163</b>

**Sydbank Group**

	1H	1H	Full year
DKKm	2006	2005	2005

**CORE INCOME****Core income excl trading income:**

Interest margins etc	870	722	1,528
Mortgage credit	84	81	179
Payment services	62	54	114
Remortgaging and loan fees	31	43	77
Other commission	44	51	89
Other operating income	10	11	26
<b>Total</b>	<b>1,101</b>	<b>962</b>	<b>2,013</b>

**Trading income:**

Bonds	90	108	175
Equities	264	141	320
Foreign exchange	126	113	233
Money market	33	10	36
Asset management	192	157	315
<b>Total</b>	<b>705</b>	<b>529</b>	<b>1,079</b>

## NOTES

	Sydbank Group		Sydbank A/S	
	30 Jun 2006	31 Dec 2005	30 Jun 2006	31 Dec 2005
DKK m				
<b>Note 1</b>				
<b>Shareholders' equity (Tier 1):</b>				
<b>Shareholders' equity (Tier 1) at 1 January</b>	4,986	4,431	4,986	4,431
<b>Changes in equity:</b>				
Exchange rate adjustment, foreign entities	(1)	1	(1)	1
Hedge accounting of foreign entities	1	(1)	1	(1)
Tax on equity items	(12)	(15)	(12)	(15)
Profit for the period	625	936	625	936
Total income	613	921	613	921
Purchase/sale of own shares	(222)	(168)	(222)	(168)
Employee shares	16	13	16	13
Adopted dividend etc	(220)	(215)	(220)	(215)
Dividends, own shares	6	4	6	4
<b>Total changes in equity</b>	<b>193</b>	<b>555</b>	<b>193</b>	<b>555</b>
<b>Total shareholders' equity (Tier 1)</b>	<b>5,179</b>	<b>4,986</b>	<b>5,179</b>	<b>4,986</b>
Shares outstanding (number)			67,429,115	68,355,127
Holding of own shares (number)			2,570,885	1,644,873
<b>Total share capital (number)</b>			<b>70,000,000</b>	<b>70,000,000</b>
Average number of shares outstanding			68,411,917	68,636,116

## NOTES

	Sydbank Group		Sydbank A/S	
	30 Jun 2006	31 Dec 2005	30 Jun 2006	31 Dec 2005
DKK m				
<b>Note 2</b>				
<b>Solvency (total capital) ratio and capital base (Tiers 1+2) (excl profit for the period):</b>				
<b>Solvency:</b>				
Solvency (total capital) ratio	10.4	11.1	10.1	10.7
Core capital (Tier 1) ratio	7.3	8.1	7.1	7.8
Core capital (Tier 1) ratio (excl hybrid core capital)	6.2	7.3	6.1	7.0
<b>Composition of capital and weighted items:</b>				
Shareholders' equity (Tier 1)	5,179	4,986	5,179	4,986
Profit for the period	(625)	-	(625)	-
Core capital (Tier 1)	4,554	4,986	4,554	4,986
Hybrid core capital included	804	560	794	560
Deductions	-	220	58	278
Core capital (Tier 1) (incl hybrid core capital) after deductions	5,358	5,326	5,290	5,268
Subordinated capital (Tier 2) included	2,532	2,271	2,532	2,271
Surplus hybrid core capital	136	-	146	-
Deductions	389	301	394	306
Supplementary capital (Tier 2) after deductions	2,279	1,970	2,284	1,965
<b>Capital base (Tiers 1+2) after deductions</b>	<b>7,637</b>	<b>7,296</b>	<b>7,574</b>	<b>7,233</b>
<b>Capital base requirement</b> (solvency requirement 8%)	5,868	5,257	6,001	5,397
Weighted assets and off-balance sheet items	64,162	58,186	65,844	59,941
Weighted items with market risk	9,185	7,532	9,164	7,518
<b>Total weighted items</b>	<b>73,347</b>	<b>65,718</b>	<b>75,008</b>	<b>67,459</b>

## NOTES

DKK m	Sydbank Group		Sydbank A/S	
	2006	2005	2006	2005
<b>Note 3</b>				
<b>Interest income from:</b>				
Amounts owed by credit institutions and central banks	151	73	153	73
Loans and advances and other amounts owed	1,311	1,015	1,276	988
Bonds	129	163	129	163
Total derivatives	205	123	207	123
comprising:				
Foreign exchange contracts	234	131	236	131
Interest rate contracts	(29)	(8)	(29)	(8)
Other interest income	1	3	1	3
<b>Total</b>	<b>1,797</b>	<b>1,377</b>	<b>1,766</b>	<b>1,350</b>
Of which income from genuine purchase and resale transactions stated under:				
Amounts owed by credit institutions and central banks	71	19	71	19
Loans and advances and other amounts owed	96	73	96	73

## Note 4

### Interest expense to:

Credit institutions and central banks	273	167	277	167
Deposits and other debt	449	306	449	306
Bonds issued	116	22	116	22
Subordinated capital (Tier 2)	47	39	47	39
Other interest expense	1	5	1	5
<b>Total</b>	<b>886</b>	<b>539</b>	<b>890</b>	<b>539</b>
Of which interest expense to genuine sale and repurchase transactions stated under:				
Amounts owed to credit institutions and central banks	23	13	23	13
Deposits and other debt	7	8	7	8

## NOTES

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	Sydbank Group		Sydbank A/S	
DKKm	2006	2005	2006	2005
<b>Note 5</b>				
<b>Fee and commission income:</b>				
Securities trading and custody accounts	533	318	519	308
Payment services	72	65	72	65
Loan fees	37	48	32	42
Guarantee commission	75	62	75	62
Other fees and commission	40	54	35	40
<b>Total</b>	<b>757</b>	<b>547</b>	<b>733</b>	<b>517</b>

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### Note 6

#### Market value adjustments:

Other loans and advances and amounts owed at fair value	1	2	1	2
Bonds	(54)	65	(54)	65
Shares etc	128	75	128	75
Investment property	0	0	0	0
Foreign exchange	75	77	73	76
Total derivatives	149	12	148	12
Assets related to pooled plans	170	272	170	272
Deposits in pooled plans	(170)	(272)	(170)	(272)
Other assets/liabilities	0	0	0	0
<b>Total</b>	<b>299</b>	<b>231</b>	<b>296</b>	<b>230</b>

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## NOTES

	Sydbank Group		Sydbank A/S	
DKK m	2006	2005	2006	2005
<b>Note 7</b>				
<b>Staff costs and administrative expenses:</b>				
Salaries and emoluments to:				
Group Executive Management	7	6	7	6
Board of Directors	1	1	1	1
Shareholders' Committee	1	1	1	1
<b>Total</b>	<b>9</b>	<b>8</b>	<b>9</b>	<b>8</b>
Staff costs:				
Wages and salaries	488	443	468	427
Pensions	50	44	48	42
Social security contributions	48	42	46	41
<b>Total</b>	<b>586</b>	<b>529</b>	<b>562</b>	<b>510</b>
Other administrative expenses:				
IT	177	169	175	165
Rent etc	53	52	55	52
Marketing and entertainment expenses	38	29	35	29
Other expenses	119	103	109	94
<b>Total</b>	<b>387</b>	<b>353</b>	<b>374</b>	<b>340</b>
<b>Total</b>	<b>982</b>	<b>890</b>	<b>945</b>	<b>858</b>

## Note 8

### Staff:

Average number of staff (full-time equivalent)	2,186	2,124	2,109	2,057
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## NOTES

	Sydbank Group		Sydbank A/S	
DKKm	2006	2005	2006	2005
<b>Note 9</b>				
<b>Impairment of loans and advances and provisions for guarantees:</b>				
Impairment and provisions at 1 January	1,569	1,545	1,550	1,521
IFRS adjustment	-	(13)	-	(13)
Adjusted impairment and provisions at 1 January	1,569	1,532	1,550	1,508
Exchange rate adjustment	0	0	0	0
Impairment and provisions during the period	27	117	27	117
Write-offs covered by impairment and provisions	18	113	18	111
<b>Impairment and provisions at end of period</b>	<b>1,578</b>	<b>1,536</b>	<b>1,559</b>	<b>1,514</b>
Individual impairment and provisions	1,394	1,348	1,382	1,332
Collective impairment and provisions	184	188	177	182
<b>Impairment and provisions at end of period</b>	<b>1,578</b>	<b>1,536</b>	<b>1,559</b>	<b>1,514</b>
Impairment and provisions	(10)	79	(10)	79
Write-offs not covered by impairment and provisions	15	10	14	6
Recovered from debt previously written off	27	39	27	39
<b>Impairment of loans and advances etc recognized in the income statement</b>	<b>(22)</b>	<b>50</b>	<b>(23)</b>	<b>46</b>
<b>Note 10</b>				
<b>Profit on holdings in associates and subsidiaries:</b>				
Profit/(Loss) on holdings in associates etc	1	(1)	1	(1)
Profit on holdings in subsidiaries	-	-	22	20
<b>Total</b>	<b>1</b>	<b>(1)</b>	<b>23</b>	<b>19</b>
<b>Note 11</b>				
<b>Effective tax rate:</b>				
Current tax rate of the Sydbank Group	28.0	28.0	28.0	28.0
Permanent differences	0.0	0.1	0.0	0.1
Adjustment of tax of previous years	(0.1)	0.2	(0.1)	0.2
Tax on impairment	-	0.7	-	0.7
<b>Effective tax rate</b>	<b>27.9</b>	<b>29.0</b>	<b>27.9</b>	<b>29.0</b>

## NOTES

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DKKm	Sydbank Group		Sydbank A/S	
	30 Jun 2006	31 Dec 2005	30 Jun 2006	31 Dec 2005

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### Note 12

#### Amounts owed by credit institutions and central banks:

Amounts owed at notice by central banks	-	965	-	965
Amounts owed by credit institutions	10,087	10,002	10,410	10,131
<b>Total</b>	<b>10,087</b>	<b>10,967</b>	<b>10,410</b>	<b>11,096</b>

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### Note 13

#### Other assets:

Positive market value of derivatives etc	3,158	2,577	3,123	2,578
Sundry debtors	446	291	338	208
Interest and commission receivable	330	329	333	330
Other assets	0	6	0	0
<b>Total</b>	<b>3,934</b>	<b>3,203</b>	<b>3,794</b>	<b>3,116</b>

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### Note 14

#### Deposits and other debt:

On demand	33,780	30,453	33,551	30,376
At notice	737	732	737	732
Time deposits	8,166	9,073	8,166	9,073
Special categories of deposit	3,273	3,332	3,273	3,332
<b>Total</b>	<b>45,956</b>	<b>43,590</b>	<b>45,727</b>	<b>43,513</b>

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### Note 15

#### Other liabilities:

Negative market value of derivatives etc	2,613	2,140	2,579	2,139
Sundry creditors	7,871	6,842	7,815	6,789
Interest and commission etc	326	164	325	162
Other liabilities	1	9	1	1
<b>Total</b>	<b>10,811</b>	<b>9,155</b>	<b>10,720</b>	<b>9,091</b>

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## NOTES

DKKm	Sydbank Group		Sydbank A/S	
	30 Jun 2006	31 Dec 2005	30 Jun 2006	31 Dec 2005

### Note 16

#### Provisions:

Provisions for pensions and similar obligations	2	2	2	2
Provisions for deferred tax	58	58	-	-
Provisions for guarantees	145	152	195	197
Other provisions	40	55	40	55
<b>Total</b>	<b>245</b>	<b>267</b>	<b>237</b>	<b>254</b>

### Note 17

#### Subordinated capital (Tier 2):

Interest rate		Nominal (m)		Maturity				
Floating	Bond loan	EUR	40	17.09.12	298	298	298	298
Floating	Bond loan	EUR	15	17.01.09	-	112	-	112
Floating	Bond loan	EUR	50	12.05.09	-	373	-	373
Floating	Bond loan	EUR	100	04.04.15	744	744	744	744
Floating	Bond loan	EUR	100	21.10.13	744	744	744	744
Floating	Bond loan	EUR	100	29.06.12	746	-	746	-
<b>Total supplementary capital (Tier 2)</b>					<b>2,532</b>	<b>2,271</b>	<b>2,532</b>	<b>2,271</b>
Floating	Bond loan	EUR	75	Perpetual	560	560	560	560
Floating	Bond loan	EUR	51	Perpetual	380	-	380	-
<b>Total hybrid capital</b>					<b>940</b>	<b>560</b>	<b>940</b>	<b>560</b>
<b>Total</b>					<b>3,472</b>	<b>2,831</b>	<b>3,472</b>	<b>2,831</b>

## NOTES

DKKm	Sydbank Group		Sydbank A/S	
	30 Jun 2006	31 Dec 2005	30 Jun 2006	31 Dec 2005
<b>Note 18</b>				
<b>Guarantees and other contingent liabilities:</b>				
<b>Guarantees:</b>				
Financial guarantees *)	3,522	3,427	5,707	5,390
Mortgage finance guarantees	5,827	5,319	5,827	5,319
Registration and remortgaging guarantees	3,502	3,545	3,502	3,545
Other guarantees	1,411	1,413	1,411	1,413
<b>Total</b>	<b>14,262</b>	<b>13,704</b>	<b>16,447</b>	<b>15,667</b>
*) Of which guarantees issued to SBK-Invest in connection with leases	-	-	2,205	1,972
<b>Other contingent liabilities:</b>				
Irrevocable credit commitments	186	38	186	38
Other liabilities	25	23	25	23
<b>Total</b>	<b>211</b>	<b>61</b>	<b>211</b>	<b>61</b>

## Note 19

### This half-year:

After the expiry of the half-year, no matters of any significant impact on the financial position of the Sydbank Group have occurred.

## Note 20

### Genuine sale and repurchase transactions and genuine purchase and resale transactions:

Of the below asset items genuine purchase and  
resale transactions amount to:

Amounts owed by credit institutions and central banks	5,532	4,444	5,532	4,444
Loans and advances at fair value	7,178	7,174	7,178	7,174

Of the below liability items genuine sale and  
repurchase transactions amount to:

Amounts owed to credit institutions and central banks	1,655	734	1,655	734
Deposits and other debt	-	-	-	-

Assets sold as part of genuine sale and repurchase transactions

Asset:

Bonds at fair value	1,654	728	1,654	728
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## NOTES

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	Sydbank Group		Sydbank A/S	
	30 Jun 2006	31 Dec 2005	30 Jun 2006	31 Dec 2005
DKK m				

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### Note 21

#### Large shareholders:

Nykredit owns more than 5% of the Bank's share capital.

### Note 22

#### Security:

As of 30 June 2006 the Group had deposited securities at a market value of DKK 9,410m with Danish and foreign exchanges and clearing centres etc in connection with margin calls and securities settlements etc.

### Note 23

#### Fair value hedging of interest rate risks (macro hedge):

Sydbank adopts a cash flow model for managing interest rate risk on all positions other than Danish callable mortgage credit bonds. The model is updated daily with all the Bank's positions which are distributed into portfolios dependent on responsibility and product. One of these portfolios consists of the Bank's positions in fixed-rate loans and advances, fixed-rate deposits, and related hedging transactions. To ensure interest rate risk management, the model generates a synthetic cash flow to describe the Bank's risk positions in selected interest rate scenarios.

The Bank's basis for concluding hedging transactions – primarily interest rate swaps – is thus a synthetic net cash flow, based on the actual cash flow of loans and advances, deposits and previously concluded hedging transactions in the relevant portfolio.

The aim is to keep the interest rate risk in this portfolio at a minimum as the Bank wishes to place its interest rate risk in other portfolios containing bonds and other cash equivalent positions.

In connection with the preparation of interim and annual reports the macro hedge rules are applied to ensure symmetry between income and expense in the statements.

Symmetry is achieved by making a hedge adjustment equal to the market value adjustment of derivatives concerning future periods. This hedge adjustment has been booked under "Other assets" and represents DKK 10m as at 30 June 2006.

#### Loans and advances:

Carrying amount	2,162	2,311	2,162	2,311
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#### Deposits:

Carrying amount	1,205	1,228	1,205	1,228
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The following derivatives hedge the above:

#### Forward rate agreements:

Notional amount	47	30	47	30
Fair value	(1)	0	(1)	0

#### Swaps:

Notional amount	1,850	1,777	1,850	1,777
Fair value	(3)	(33)	(3)	(33)

## SYDBANK A/S FINANCIAL HIGHLIGHTS

	1H 2006	1H 2005	1H 2004	1H 2003	1H 2002
<b>Income statement highlights (DKK m)</b>					
Net interest and fee income	1,503	1,274	1,219	1,221	1,158
Market value adjustments	296	230	137	147	41
Staff costs and administrative expenses	945	858	807	749	735
Impairment of loans and advances etc	(23)	46	147	145	145
Profit on holdings in associates and subsidiaries	23	19	20	11	19
Profit after tax	625	420	276	301	216
<b>Balance sheet highlights (DKK bn)</b>					
Loans and advances	67.7	55.3	43.9	39.5	37.5
Shareholders' equity (Tier 1)	5.2	4.5	4.1	4.1	3.5
Total assets	107.2	88.4	69.1	69.6	70.0
<b>Financial ratios per share (DKK per share of DKK 10)</b>					
EPS	8.9	6.0	3.7	4.0	2.9
Book value	74.0	64.8	56.1	54.9	46.6
Dividend per share	3.0	3.0	2.0	1.5	1.5
Share price/profit for the period per share	21.7	23.0	23.9	17.1	17.0
Share price/book value	2.62	2.13	1.60	1.25	1.05
<b>Other financial ratios and key figures</b>					
Solvency (total capital) ratio	10.1	10.0	10.1	10.5	10.3
Core capital (Tier 1) ratio	7.1	7.9	8.1	7.9	7.6
Pre-tax profit as % of avg shareholders' equity	17.0	13.2	8.8	11.4	9.2
Post-tax profit as % of avg shareholders' equity	12.3	9.4	6.1	7.6	6.4
Income/cost ratio (DKK)	1.90	1.63	1.37	1.49	1.34
Interest rate risk	2.2	3.4	2.4	5.3	4.8
Foreign exchange position	11.1	11.9	5.3	15.4	3.1
Foreign exchange risk	0.1	0.1	0.0	0.1	0.1
Loans and advances relative to deposits	1.3	1.2	1.1	1.1	1.1
Loans and advances relative to shareholders' equity	13.1	12.2	10.0	9.6	10.7
Growth in loans and advances for the half-year	12.1	16.5	10.5	2.0	(0.1)
Excess cover relative to statutory liquidity requirements	39.1	74.9	151.9	88.9	109.7
Total large exposures	65.5	102.2	79.1	99.9	95.2
Accumulated impairment ratio	1.8	2.2	2.7	2.8	2.8

Financial ratios have been determined by the Danish FSA's executive order on financial reporting of credit institutions etc. The Bank has changed its accounting policies as from 2005. Key figures as well as financial ratios for 2004 have been restated.