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Dear Sirs

Sydbank's Quarterly Report – Q1-Q3 2006

- **Highly satisfactory performance and business developments**
- **43% rise in core earnings**
- **Upgrade of 2006 outlook**

Sydbank recorded a pre-tax profit of DKK 1,485m for the first nine months of 2006, equal to a return of 36% p.a. on average shareholders' equity (Tier 1).

Core earnings improved by 43% – from DKK 874m in Q1-Q3 2005 to DKK 1,253m – generated by growth in lending, a 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 112m. Moreover an extraordinary gain on sale of shares in Totalkredit makes up DKK 120m.

Post-tax profit represents DKK 1,104m, equal to a return of 27% p.a. on average shareholders' equity (Tier 1). Book value stands at DKK 86 per share outstanding.

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

Upgrade of core earnings outlook for 2006

The continued favourable developments in Q3 suggest that core earnings for 2006 will make up around DKK 1,600-1,700m. Consequently the core earnings outlook is upgraded by around DKK 200m compared with previous announcements.

Core income

Core income excl trading income represents DKK 1,681m – an increase of 15% compared to the same period last year. Income from interest margins etc went up by 20% equal to DKK

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223m, triggered by growth in ordinary loans and advances of 23% and stable interest margin developments in 2006.

Trading income improved by 20% – from DKK 810m in Q1-Q3 2005 to DKK 970m in Q1-Q3 2006. The rise was sharpest in Q1 albeit the level of earnings was high in Q2 and Q3 as well. 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 contribution to the appreciable rise in trading income.

Income statement Q1-Q3 (DKKm)	2006	2005
Core income excl trading income	1,681	1,468
Trading income	970	810
Total core income	2,651	2,278
Costs and depreciation	1,483	1,346
Impairment of loans and advances etc	(85)	58
Core earnings	1,253	874
Profit from investment portfolios	112	113
Profit before Totalkredit gain	1,365	987
Gain on sale of Totalkredit shares	120	–
Profit before tax	1,485	987
Tax	381	283
Profit after tax	1,104	704

Total core income amounts to DKK 2,651m (2005: DKK 2,278m).

Costs and depreciation

Costs and depreciation related to core income grew by DKK 137m (10%) to DKK 1,483m.

The rise is mainly ascribable to an increase of 86 in the number of employees from end-Q3 2005 to 2,203 at end-Q3 2006 – a rise which was generated by mounting activity.

In the first nine months of 2006 three small branches merged with other branches and in September the Bank opened a newly built branch in Ballerup – bringing the number of branches to 110.

Two of the 110 branches are located in Germany – in Flensburg and Hamburg. On 1 April 2007 Sydbank will open its third German branch – in Kiel – as the Bank will take over the retail banking segment of the Kiel based bank, BCN. From the outset Sydbank's branch in Kiel will have around 3,500 customers and a business volume of approximately EUR 100m.

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

Impairment of loans and advances etc

In Q1-Q3 2006 impairment of loans and advances etc of DKK 85m was recognized as net income in contrast to Q1-Q3 2005 when DKK 58m 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 1,253m compared with DKK 874m during the same period last year.

Profit from investment portfolios

Profit from investment portfolios amounts to DKK 112m for the nine months to 30 September 2006 (2005: DKK 113m).

Gain on sale of Totalkredit shares

On 18 September 2006, Nykredit informed Sydbank that it will exercise its right to acquire Sydbank's remaining 117,373 shares in Totalkredit as of 2 October 2006. The sale has generated a gain of DKK 120m.

Subsidiaries

The pre-tax profits of Sydleasing (formerly SBK-Invest) and DMK-Holding constitute DKK 24m (2005: DKK 18m) and DKK 10m (2005: DKK 17m), respectively. The subsidiary bank, Sydbank (Schweiz) AG in Switzerland, recorded a pre-tax profit of DKK 5m (2005: loss of DKK 3m). The total profit of the subsidiaries has been included in Group core earnings.

Effective 1 January 2007, the subsidiary Sydleasing will merge with Sydbank to reap administrative and managerial benefits.

Profit after tax

The Group's pre-tax profit makes up DKK 1,485m. Less a calculated tax charge of DKK 381m, profit stands at DKK 1,104m and book value at DKK 86 per share outstanding.

Balance sheet

Total assets amount to DKK 108bn at 30 September 2006 (31 Dec 2005: DKK 99bn).

Assets (DKKbn)	30 Sep 2006	31 Dec 2005
Amounts owed by credit institutions etc	12.7	15.0
Loans and advances at fair value (reverse repo transactions)	7.0	7.2
Loans and advances at amortised cost (ordinary loans and advances)	61.5	53.5
Securities and holdings etc	16.1	13.4
Assets related to pooled plans	6.2	5.6
Other assets etc	4.5	4.2
Total	108.0	98.9

In Q1-Q3 2006 ordinary loans and advances increased by DKK 8.0bn to DKK 61.5bn. The rise constitutes DKK 11.5bn or 23% compared with a year ago. Loans granted by Sydbank in Germany and Switzerland represent just over DKK 1.2bn. A growth rate of around 20% in lending is projected for 2006.

In Q1-Q3 2006 the Group's deposits and other debt grew by DKK 4.8bn to DKK 48.4bn and bonds issued went up by DKK 1.9bn to DKK 8.6bn.

Shareholders' equity and liabilities (DKKbn)	30 Sep 2006	31 Dec 2005
Amounts owed to credit institutions	23.4	25.7
Deposits and other debt	48.4	43.6
Deposits in pooled plans	6.2	5.6
Bonds issued	8.6	6.7
Other liabilities etc	11.7	9.2
Provisions	0.3	0.3
Subordinated capital (Tier 2)	3.5	2.8
Shareholders' equity (Tier 1)	5.9	5.0
Total shareholders' equity and liabilities	108.0	98.9

Capital and solvency

In Q1-Q3 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 September 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 nine months.

At end-September 2006 share capital is unchanged at DKK 700m or 70,000,000 shares of DKK 10. The number of shares outstanding increased from 68,355,127 (97.7%) at the beginning of the year to 68,838,942 (98.3%).

Shareholders' equity (Tier 1) constitutes DKK 5,933m as of 30 September 2006 – an increase of DKK 947m since year-end. The rise appears as the net result of dividend distribution etc of net DKK 214m, the net sale of own shares of DKK 81m, tax on equity items of DKK 24m and profit for the nine months of DKK 1,104m.

Effective 30 September 2006 profit for the period is included in the solvency (total capital) ratio. At end-September 2006 the solvency (total capital) ratio stands at 12.0%, including 9.3% which is ascribable to the Group's core capital (Tier 1), compared with 11.1% and 8.1%, respectively, at end-2005. Core capital (Tier 1) ratio excluding hybrid core capital represents 8.0% against 7.3% at end-2005.

The rise in risk weighted items from DKK 65.7bn at 31 December 2005 to DKK 74.3bn at the end of Q3 2006 is mainly ascribable to the sharp growth in loans and advances.

New capital adequacy rules

New capital adequacy rules will come into force as of 1 January 2007 as regards the measurement of credit, market and operational risks.

As announced earlier, Sydbank submitted an application to the Danish Financial Supervisory Authority in September 2006 for the approval to measure credit risks in accordance with the Internal Rating Based (IRB) Foundation Approach. According to this, the Bank estimates Probability of Default (PD) based on own internal data as well as statistics.

The Bank has decided to continue to apply the Standardised Approach to market risk. Moreover the Bank will apply the Standardised Approach to operational risk, according to which there is one indicator with different weightings for different lines of business.

Subject to approval, the Bank's capital requirement will be calculated in accordance with the above approaches as from 1 January 2008. According to the new rules, any capital relief will be implemented in steps. Consequently the capital requirement calculated according to the current rules can be reduced by a maximum of 10% in 2008.

Rating

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

Outlook for 2006

Business developments were highly satisfactory in the first nine months of 2006.

The continued favourable performance and business developments in Q3 suggest that core earnings for 2006 will amount to around DKK 1,600-1,700m, ie an upgrade in the region of DKK 200m compared with the core earnings outlook of DKK 1,375-1,525m which was announced in the Bank's 2006 Interim Report.

All other expectations remain unchanged.

The Group's 2006 Annual Results is scheduled for 30 January 2007 and the Group's 2006 Annual Report for 20 February 2007.

Yours faithfully



Carsten Andersen
Group Chief Executive

GROUP FINANCIAL HIGHLIGHTS

	Q1-Q3 2006	Q1-Q3 2005	Full year 2005
Income statement (DKKm)			
Core income excl trading income	1,681	1,468	2,013
Trading income	970	810	1,079
Total core income	2,651	2,278	3,092
Costs and depreciation	1,483	1,346	1,853
Impairment of loans and advances etc	(85)	58	65
Core earnings	1,253	874	1,174
Profit from investment portfolios	112	113	139
Profit before Totalkredit gain	1,365	987	1,313
Gain on sale of Totalkredit	120	-	-
Profit before tax	1,485	987	1,313
Tax	381	283	377
Profit after tax	1,104	704	936
Balance sheet highlights (DKKbn)			
Loans and advances at amortised cost	61.5	50.0	53.5
Loans and advances at fair value	7.1	8.1	7.2
Deposits and other debt	48.4	41.8	43.6
Bonds issued at amortised cost	8.6	1.9	6.7
Subordinated capital (Tier 2)	3.5	2.1	2.8
Shareholders' equity (Tier 1)	5.9	4.8	5.0
Total assets	108.0	89.5	98.9
Financial ratios per share (DKK per share of DKK 10)			
EPS Basic *	16.1	10.2	13.7
EPS Diluted *	16.1	10.2	13.7
Share price at end of period	216.5	149.2	151.0
Book value **	86.2	69.5	72.9
Share price/book value **	2.51	2.15	2.07
Average number of shares outstanding (in millions)	68.4	68.7	68.6
Other financial ratios and key figures			
Solvency (total capital) ratio ****	12.0	9.2	11.1
Core capital (Tier 1) ratio ****	9.3	7.3	8.1
Pre-tax profit as % of avg shareholders' equity	27.2	21.5	27.9
Post-tax profit as % of avg shareholders' equity	20.2	15.3	19.9
Income/cost ratio (DKK)	2.06	1.70	1.68
Interest rate risk	(1.3)	2.2	2.3
Foreign exchange position	8.2	6.6	2.8
Foreign exchange risk	0.1	0.1	0.1
Loans and advances relative to deposits ***	1.1	1.2	1.1
Loans and advances relative to shareholders' equity ***	10.4	10.5	10.7
Growth in loans and advances for the period ***	14.8	19.4	28.0
Excess cover relative to statutory liquidity requirements	19.7	40.3	95.1
Total large exposures	22.0	142.5	93.9
Accumulated impairment ratio	1.8	2.1	2.1
Impairment ratio for the period	(0.10)	0.08	0.09
Number of full-time staff at end of period	2,203	2,117	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.

**** Profit for the period has been included in the solvency ratio and core capital ratio for the first time at 30 September 2006.

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

GROUP FINANCIAL HIGHLIGHTS

	Q3 2006	Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005	Q1 2005	Full year 2005
Income statement (DKKm)								
Core income excl trading income	580	568	533	545	506	483	479	2,013
Trading income	265	316	389	269	282	298	230	1,079
Total core income	845	884	922	814	788	781	709	3,092
Costs and depreciation	463	486	534	507	421	455	470	1,853
Impairment of loans and advances etc	(63)	(14)	(8)	7	9	29	20	65
Core earnings	445	412	396	300	358	297	219	1,174
Profit from investment portfolios	54	(21)	79	26	38	59	16	139
Profit before Totalkredit gain	499	391	475	326	396	356	235	1,313
Gain on sale of Totalkredit	120	-	-	-	-	-	-	-
Profit before tax	619	391	475	326	396	356	235	1,313
Tax	140	108	133	94	112	99	72	377
Profit after tax	479	283	342	232	284	257	163	936
Balance sheet highlights (DKKbn)								
Loans and advances at amortised cost	61.5	61.1	57.4	53.5	50.0	47.5	43.8	53.5
Loans and advances at fair value	7.1	7.2	7.3	7.2	8.1	7.9	6.2	7.2
Deposits and other debt	48.4	46.0	47.0	43.6	41.8	42.2	38.0	43.6
Bonds issued at amortised cost	8.6	10.4	6.7	6.7	1.9	1.9	1.9	6.7
Subordinated capital (Tier 2)	3.5	3.5	2.7	2.8	2.1	2.1	1.4	2.8
Shareholders' equity (Tier 1)	5.9	5.2	5.2	5.0	4.8	4.5	4.2	5.0
Total assets	108.0	107.5	103.5	98.9	89.6	88.6	77.6	98.9
Financial ratios per share (DKK per share of DKK 10)								
EPS Basic *	7.0	4.1	5.0	3.4	4.1	3.7	2.4	13.7
EPS Diluted *	7.0	4.1	5.0	3.4	4.1	3.7	2.4	13.7
Share price at end of period	216.5	193.5	193.0	151.0	149.2	137.8	116.0	151.0
Book value **	86.2	76.8	75.2	72.9	69.5	66.0	62.0	72.9
Share price/book value **	2.51	2.52	2.57	2.07	2.15	2.09	1.87	2.07
Average number of shares outstanding (in millions)	68.3	68.4	68.3	68.3	68.7	68.6	69.1	68.6
Other financial ratios and key figures								
Solvency (total capital) ratio ****	12.0	10.4	10.0	11.1	9.2	10.0	9.7	11.1
Core capital (Tier 1) ratio ****	9.3	7.3	7.6	8.1	7.3	7.8	8.7	8.1
Pre-tax profit as % of avg shareholders' equity	11.1	7.6	9.3	6.7	8.5	8.1	5.4	27.9
Post-tax profit as % of avg shareholders' equity	8.6	5.5	6.7	4.8	6.1	5.9	3.7	19.9
Income/cost ratio (DKK)	2.54	1.83	1.90	1.63	1.92	1.73	1.48	1.68
Interest rate risk	(1.3)	2.2	1.0	2.3	2.2	3.4	2.4	2.3
Foreign exchange position	8.2	10.9	28.5	2.8	6.6	12.0	5.4	2.8
Foreign exchange risk	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1
Loans and advances relative to deposits ***	1.1	1.2	1.1	1.1	1.2	1.1	1.2	1.1
Loans and advances relative to shareholders' equity ***	10.4	11.8	11.1	10.7	10.5	10.5	10.3	10.7
Growth in loans and advances for the period ***	0.6	6.4	7.2	7.2	5.0	8.5	4.7	28.0
Excess cover relative to statutory liquidity requirements	19.7	38.8	53.5	95.1	40.3	74.9	80.6	95.1
Total large exposures	22.0	64.9	121.4	93.9	142.5	102.2	71.9	93.9
Accumulated impairment ratio	1.8	1.9	2.0	2.1	2.1	2.2	2.4	2.1
Impairment ratio for the period	(0.07)	(0.02)	(0.01)	0.01	0.01	0.04	0.03	0.09
Number of full-time staff at end of period	2,203	2,172	2,124	2,123	2,117	2,092	2,084	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.

**** Profit for the period has been included in the solvency ratio and core capital ratio for the first time at 30 September 2006. The financial ratios are prepared according to "Recommendations & Financial Ratios 2005" published by the Danish Society of Financial Analysts.

INCOME STATEMENT

DKKm	Q1-Q3 2006	Q1-Q3 2005	Full year 2005
Interest income	2,846	2,117	2,904
Interest expense	1,466	845	1,192
Net interest income	1,380	1,272	1,712
Dividends on shares	20	13	16
Fee and commission income	1,053	826	1,132
Fee and commission expense	173	101	149
Net interest and fee income	2,280	2,010	2,711
Market value adjustments	594	371	503
Other operating income	15	18	25
Staff costs and administrative expenses	1,418	1,291	1,747
Depreciation and impairment of property, plant and equipment	70	62	105
Other operating expenses	2	0	10
Impairment of loans and advances etc	(85)	58	65
Profit/(Loss) on holdings in associates	1	(1)	(1)
Profit on assets temporarily acquired	-	-	2
Profit before tax	1,485	987	1,313
Tax	381	283	377
Profit after tax	1,104	704	936

BALANCE SHEET

DKKm	Q1-Q3 2006	Q1-Q3 2005	Full year 2005
Assets			
Cash and balances on demand at central banks	605	486	4,037
Amounts owed by credit institutions and central banks	12,080	8,417	10,967
Loans and advances at fair value	7,050	8,123	7,174
Loans and advances at amortised cost	61,481	49,947	53,538
Bonds at fair value	14,435	11,489	12,248
Shares etc	1,565	836	1,026
Holdings in associates etc	145	143	143
Assets related to pooled plans	6,199	5,378	5,615
Total land and buildings	780	756	748
– investment property	45	45	45
– owner-occupied property	735	711	703
Other property, plant and equipment	93	88	94
Current tax assets	5	-	84
Assets temporarily acquired	0	8	-
Other assets	3,557	3,869	3,203
Prepayments	44	42	36
Total assets	108,039	89,582	98,913
Shareholders' equity and liabilities			
Amounts owed to credit institutions and central banks	23,416	25,484	25,692
Deposits and other debt	48,395	41,762	43,590
Deposits in pooled plans	6,197	5,378	5,615
Bonds issued at amortised cost	8,568	1,861	6,701
Current tax liabilities	278	81	20
Other liabilities	11,386	8,079	9,155
Deferred income	61	50	56
Total liabilities	98,301	82,695	90,829
Provisions	333	46	267
Subordinated capital (Tier 2)	3,472	2,089	2,831
Shareholders' equity (Tier 1)	5,933	4,752	4,986
Total shareholders' equity and liabilities	108,039	89,582	98,913

NOTES

Accounting policies:

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

DKKm	Q1-Q3 2006	Q1-Q3 2005	Full year 2005
Shareholders' equity (Tier 1):			
Shareholders' equity (Tier 1) at 1 January	4,986	4,431	4,431
Changes in equity:			
Exchange rate adj., foreign entities	(4)	1	1
Hedge accounting of foreign entities	4	(1)	(1)
Tax on equity items	(24)	(16)	(15)
Profit for the period	1,104	704	936
Total income	1,080	688	921
Purchase/sale of own shares	65	(169)	(168)
Employee shares	16	13	13
Adopted dividend etc	(220)	(215)	(215)
Dividends, own shares	6	4	4
Total changes in equity	947	321	555
Total shareholders' equity (Tier 1)	5,933	4,752	4,986
Shares outstanding (number)	68,838,942	68,334,972	68,355,127
Holding of own shares (number)	1,161,058	1,665,028	1,644,873
Total share capital (number)	70,000,000	70,000,000	70,000,000
Average number of shares outstanding	68,386,760	68,662,612	68,636,116

NOTES

DKKm	Q1-Q3 2006	Q1-Q3 2005	Full year 2005
Solvency (total capital) and capital base (Tiers 1+2):			
Solvency:			
Solvency (total capital) ratio	12.0	9.2	11.1
Core capital (Tier 1) ratio	9.3	7.3	8.1
Core capital (Tier 1) ratio (excl hybrid core capital)	8.0	6.4	7.3
Composition of capital and weighted items:			
Shareholders' equity (Tier 1)	5,933	4,752	4,986
Profit for the period	-	704	-
Core capital (Tier 1)	5,933	4,048	4,986
Hybrid core capital included	940	560	560
Deductions	-	-	220
Core capital (Tier 1) (incl hybrid core capital) after deductions	6,873	4,608	5,326
Subordinated capital (Tier 2) included	2,536	1,529	2,271
Surplus hybrid core capital	-	-	-
Deductions	526	343	301
Supplementary capital (Tier 2) after deductions	2,010	1,186	1,970
Capital base (Tiers 1+2) after deductions	8,883	5,794	7,296
Capital base requirement (solvency requirement 8%)	5,942	5,048	5,257
Weighted assets and off-balance sheet items	65,926	55,129	58,186
Weighted items with market risk	8,349	7,966	7,532
Total weighted items	74,275	63,095	65,718
Profit for the period not included at 30 September 2005.			
Provisions:			
Provisions for pension and similar obligations	2	1	2
Provisions for deferred tax	58	16	58
Provisions for guarantees	241	23	152
Other provisions	32	6	55
Total provisions	333	46	267
Contingent liabilities:			
Guarantees etc	14,496	12,556	13,704
Other contingent liabilities	211	86	61
Total contingent liabilities	14,707	12,642	13,765

NOTES

DKKm	Q1-Q3 2006	Q1-Q3 2005	Full year 2005
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Impairment of loans and advances and provisions for guarantees:

Impairment and provisions at 1 January	1,569	1,545	1,545
IFRS adjustment	-	(13)	(13)
Adjusted impairment and provisions at 1 January	1,569	1,532	1,532
Exchange rate adjustment	0	0	0
Impairment and provisions during the period	(10)	150	170
Write-offs covered by impairment and provisions	27	129	133
Impairment and provisions at end of period	1,532	1,553	1,569
Individual impairment and provisions	1,344	1,367	1,407
Collective impairment and provisions	188	186	162
Impairment and provisions at end of period	1,532	1,553	1,569
Impairment and provisions	(67)	95	97
Write-offs not covered by impairment and provisions	21	14	36
Recovered from debt previously written off	39	51	68
Impairment of loans and advances etc recognized in the income statement	(85)	58	65

Core income excl trading income:

Interest margins etc	1,336	1,113	1,528
Mortgage credit	125	122	179
Payment services	94	84	114
Remortgaging and loan fees	47	60	77
Other commission	63	71	89
Other operating income	16	18	26
Total	1,681	1,468	2,013

Trading income:

Bonds	136	163	175
Equities	338	221	320
Foreign exchange	172	176	233
Money market	48	20	36
Asset management	276	230	315
Total	970	810	1,079