Credit Risk 2011

Sydbank

Contents

Introduction

Annex 20 of the Danish executive order on capital adequacy contains a number of requirements regarding the public disclosure of information on risk and risk management – including the credit risks assumed by the Group. Sydbank complies with the requirements concerning credit risk in this report, which will be released concurrently with the annual report.

Credit risk is the risk of loss as a result of the non-performance by clients and other counterparties of their payment obligations to the Group. Credit risk concerns loans and advances, credit facilities and guarantees as well as market values of derivatives and any holdings.

The most significant credit risks within the Group relate to loans and advances and guarantees issued to corporate and retail clients. Consequently the main focus of this report is on a detailed description of the lending and guarantee portfolio which may be compared with loans and advances and guarantees in the 2011 Annual Report.

Appendix 1 explains some of the terms used in this report.

The correlation between the exposure, as shown in “Appendix 2 – Supplementary tables”, and loans and advances and guarantees in the annual report is shown below.

Gross exposure – credit risk

DKKm	2011	2010
Loans and advances at fair value	7,658	10,724
Loans and advances at amortised cost	68,847	73,028
Loans and advances according to financial statements	76,505	83,752
Loans and advances to municipalities	(534)	(1,006)
Undrawn credit commitments	28,788	27,240
Derivatives	2,731	3,033
Contingent liabilities etc	9,820	11,708
Gross exposure to corporate clients and retail clients	117,310	124,727
Governments incl municipalities	6,472	3,347
Institutions	29,985	29,488
Shares	926	858
Other exposures	1,476	1,606
Gross exposure – credit risk	**156,169**	**160,026**

Credit policy

The Group's overall credit risk is managed according to policies and limits determined and adopted by the Board of Directors.

The Group's credit activities are planned in accordance with the Group's visions and strategies and must be:
- Competent.
- Competitive.
- Reliable.
- Obliging.

The Board of Directors lays down the general framework for credit granting and the largest exposures are submitted on a regular basis to the Board of Directors for approval or information.

Employees with a written lending authority may grant approvals. Such authority is adjusted to the employee's experience, education and training as well as to the employee's client portfolio and the individual client's rating. In connection with new clients employees have limited lending authority.

Retail clients
The objective is that more than 90% of retail client exposures are approved by the client's branch and that the remaining client exposures are approved at the regional head office. Major retail client exposures are approved centrally by Credits.

Credit granting to retail clients is based on a client's disposable amount, wealth and gearing (defined as the household's total debt divided by the household's personal income) as well as knowledge of the client.

Corporate clients
As a rule corporate clients are served by the regional head office or by special corporate departments. The objective is that all small corporate exposures are approved decentrally at the regional head office. Medium-size and major exposures are approved centrally by Credits, the Group Executive Management or the Board of Directors.

The Group's credit-related decisions are based on a systematic and structured review of the client's circumstances and industry affiliation. The review is based on all accessible information, including industry analyses and financial statements, and also comprises an assessment of the client's forward-looking business plan and the feasibility of this plan.

Credit activities are conducted partly in the retail and corporate departments and partly centrally in Credits. As described below the Group has developed rating models to assess the risks to retail clients, SMEs, corporate clients and investment clients.

Furthermore the Group has an extensive and competent credit organisation which – together with the rating models – ensures focus on the Group's credit risks in the approval process as well as the follow-up process.

The credit organisation is adjusted on an ongoing basis to ensure that its credit rating capacity reflects the Group's development as well as economic conditions.

The Group's credit activities are an active element in the Group's efforts to increase its income by:
- Retaining and increasing the portfolio of profitable and promising retail, investment and corporate clients.
- Maintaining and increasing client business volume with the Group through a balanced composition of:
  – loans and advances and guarantees
  – deposits
  – payment services transactions
  – trading in securities etc
  – financial instruments.
- Avoiding/reducing risk of loss by implementing action plans for weak exposures. These action plans involve reducing the Bank's exposure and hedging the Bank's risks by securing additional collateral.

Risks in connection with lending are precalculated on an informed and well-founded basis.

The Group's credit exposures are to the following client segments:
- Retail and corporate clients in Denmark.
- Retail and corporate clients in Germany.
- Investment clients.

Credit follow-up
Credits is responsible for managing and monitoring credit risk in accordance with the guidelines stipulated by the Board of Directors and the Group Executive Management as well as for internal and external credit risk reporting.

Credit Follow-up monitors compliance with credit policies as well as credit quality.

This process involves "desk research" using information from the Group's database on all exposures as well as control visits at the individual branches. The aim is to review all the Bank's branches at least every third year.

Moreover Credit Follow-up conducts annual quality analyses of the Group's new exposures.

Finally Credit Follow-up evaluates on the basis of a credit expert assessment whether the Group's rating systems rank clients correctly. This assessment forms part of the Group's quarterly validation reports.

All regional corporate departments have identified a number of weak exposures to which particular focus is given and these are analysed and reviewed at least every six months at the initiative of Credits. The object is to ensure that the Group's action plans for these exposures are evaluated and adjusted on a regular basis.

Moreover Credits has a department which is assigned to exposures with a risk of loss exceeding DKK 3m. These exposures are closely monitored and Credits is actively involved in preparing solutions to mitigate the Group's credit risk.

Rating

The Group has developed rating models to manage credit risks to retail and corporate clients. The overriding objective is to constantly monitor the financial circumstances of a client and to identify as early as possible any financial difficulties in order to work out a plan of action in cooperation with the client.

Model development is based on the recommendations submitted by the Basel Committee. Through dialogue with other interested parties in the market (credit institutions, supervisory authorities, rating agencies etc) the Group has ensured that the models comply with market standards.

In connection with the calculation of the Group's Pillar I capital requirements, the Group estimates on an ongoing basis the risk parameters, PD, LGD and EAD, as regards the Group's retail clients as well as PD as regards the Group's corporate clients.

PD represents the probability that the client will default on his obligations to the Group within the next 12 months.

EAD represents the expected size of an exposure, ie how much a client is expected to owe at the time of default. In order to calculate EAD a conversion factor (CF) is estimated for the purpose of converting undrawn credit commitments to expected exposure at default.

LGD represents the proportion of an exposure that is expected to be lost if the client defaults within the next 12 months.

The risk parameters are included in the calculation of a number of important internal ratios and key figures concerning the Group's credit portfolio including expected loss.

Expected loss is calculated as follows: EAD x PD x LGD.

Furthermore the risk parameters constitute a vital management tool in the Group's credit process in connection with eg:

- The targeting of sales activities, including pricing.
- The assessment and determination of lending authority.
- The treatment and follow-up of the risk on loans and credit facilities.
- The calculation of accounting impairment charges.

Sydbank applies the advanced IRB approach to calculate the capital requirement as regards retail exposures and the foundation IRB approach to calculate the capital requirement as regards corporate exposures.

On the basis of the rating models clients are assigned to categories 1-10 where category 1 represents the best credit quality and category 10 represents the category of clients who have defaulted on their obligations to the Group.

Clients are rated in the four partially independent models described below and all models are based on statistical processing of client data for the purpose of classifying clients according to their probability of default (PD) within the next 12 months.

Retail clients
The retail client model is based primarily on account behaviour. On the basis of this data and inherent statistical correlations, clients are rated according to their probability of default (PD) vis-à-vis the Group within the next 12 months.

In November 2011 the model was changed following approval by the Danish FSA and a number of parameters were replaced. For instance a disposable amount calculated on the basis of client account behaviour is included as an important rating parameter. As a result the predictive power of the model has been improved considerably.

SMEs
The SME model is to a large extent identical to the retail client model but the data is supplemented by further variables concerning the corporate client relationship.

Corporate clients
The corporate client model is based on the client's accounting data supplemented by appraisals made by the credit officer and/or account manager of the client's current strength profile as well as an industry analysis. It is possible on the basis of a specific assessment to override a rating. All overrides must be approved by the Bank's Credit Committee.

Investment clients
The investment client model is based on:

- Excess cover within the investment exposure.
- Approved stop loss.
- Volatility of the investment exposure.
- Strength profile of the client.

Exposures outside the rating models
The Group has no internal rating model for public authorities (governments, regions and municipalities). The Danish FSA has approved the Group's use of the Standardised Approach to calculate risk-weighted assets concerning this asset class.

A small part of the exposures – mainly parts of the Group's lease exposures – is not yet comprised by the rating models. In connection with the Danish FSA approval, the Group has been granted exemption in this respect.

The table below shows loans and advances and guarantees by rating category.

The table shows that corporate loans and advances (including public authorities) account for 67% of total loans and advances, and loans and advances to retail clients constitute 33%. 62% of the Group's corporate loans and advances are rated in categories 1-4 and 83% of the Group's loans and advances to retail clients are rated in categories 1-4.

DKKm	Corporate			Retail			Total		2011
Rating category	Loans and advances	Guarantees	%	Loans and advances	Guarantees	%	Loans and advances	Guarantees	%
1	1,988	73	4.0	8,655	1,630	37.4	10,643	1,703	15.6
2	8,845	1,199	19.5	6,303	793	25.8	15,148	1,992	21.7
3	9,749	1,011	20.9	2,799	348	11.5	12,548	1,404	17.7
4	8,538	572	17.7	1,258	113	5.0	9,796	685	13.3
5	6,727	570	14.2	1,774	122	6.9	8,501	692	11.7
6	2,569	186	5.4	334	18	1.3	2,903	204	3.9
7	1,872	71	3.8	155	11	0.6	2,027	82	2.7
8	1,647	150	3.5	170	18	0.7	1,817	168	2.5
9	3,183	177	6.5	717	30	2.7	3,900	207	5.2
Default	1,666	53	3.3	273	1	1.0	1,939	54	2.5
STD/NR	622	0	1.2	814	1,126	7.1	1,436	1,080	3.2
Total	**47,406**	**4,062**	**100.0**	**23,252**	**4,210**	**100.0**	**70,658**	**8,271**	**100.0**
Individual impairment of loans and advances	1,304			340			1,644		
Collective impairment of loans and advances	126			41			167		
Total	**45,976**	**4,062**		**22,871**	**4,210**		**68,847**	**8,271**	
% of total	67	49		33	51		100	100	

Default
According to the Group's rating system, a client is in default if at least one of the following events has occurred:

- A write-off has been recorded as regards the client.
- The client has as least one non-accrual credit facility.
- An impairment charge/provision has been registered in connection with the client indicating that the loss must be regarded as certain.
- The exposure has been transferred to the Group's central department for non-performing exposures.

Moreover the Group has adopted procedures under which all exposures in arrears for more than 90 days are either approved or transferred to the Group's department for non-performing exposures.

Validation
The risk parameters are monitored and validated on an ongoing basis in compliance with the Group's business procedures which reflect Danish FSA requirements, the supplementary guidelines issued by the Committee of European Banking Supervisors (CEBS) as well as internal requirements.

The validation process includes an assessment of:

- Model ability to rank clients by default risk.
- Realised values compared with expected values (backtesting).
- Data quality.
- Model application.

The backtest of the corporate client rating model for the period 1 October 2010 to 30 September 2011 shows the following:

Backtest of corporate rating model

Rating	Number	Number of realised defaults	Number of estimated defaults
1	65	0	0
2	1,124	1	2
3	2,100	7	10
4	2,341	18	21
5	2,192	30	38
6	991	21	32
7	431	19	20
8	371	22	21
9	755	95	81
Total	10,370	213	225

At the beginning of the period 225 defaults were expected and 213 were realised. This backtest shows that the model was good at predicting defaults.

Rating

The backtest of the retail client rating model for the same period shows the following:

Backtest of retail rating model

Rating	Number	Number of realised defaults	Number of estimated defaults
1	82,645	9	33
2	68,373	44	92
3	33,913	110	168
4	10,636	87	120
5	5,860	94	130
6	1,454	46	56
7	348	11	20
8	262	21	18
9	488	79	69
Total	203,979	501	706

The table shows that only 71% of the expected defaults were realised. The number of realised defaults is considerably lower than expected in particular in the good rating categories.

The table below shows the average PD for solvency purposes used to calculate the Group's risk-weighted assets at the beginning of the year as well as the realised annual default rates for 2005 to 2011.

Probability of default (PD)

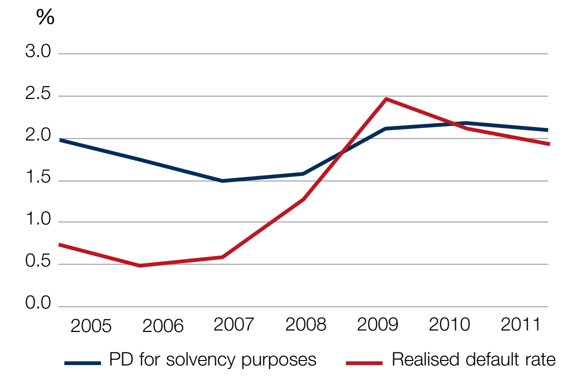
%	Corporate		Retail	
Year	PD solvency purposes 31 Dec	Realised default rate	PD solvency purposes 31 Dec	Realised default rate
2011	2.10	1.93	0.67	0.49
2010	2.19	2.12	0.51	0.47
2009	2.12	2.47	0.58	0.51
2008	1.57	1.28	0.55	0.46
2007	1.50	0.59	0.58	0.43
2006	1.74	0.48	0.62	0.38
2005	1.98	0.73	0.71	0.48

As shown above PD for solvency purposes decreases from year-end 2005 to year-end 2007 as economic conditions improve and the rating basis changes. PD for solvency purposes increases again at the beginning of 2009 as a result of changed economic conditions relating to the financial crisis.

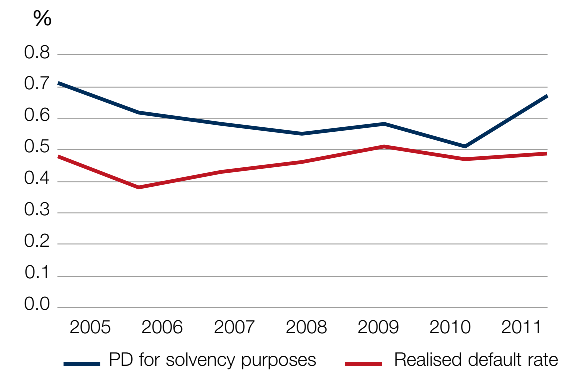
The Group's PD for solvency purposes aims to give a true picture seen over an entire economic cycle, ie it encompasses a long-term element. Calculation of the Group's PD for solvency purposes entails that annualised PD fluctuations decrease. In contrast realised default rates are the actual rates for the years in question and any direct comparison with PD for solvency purposes must therefore be made with caution. Another consequence is that the realised default rate will typically be lower than PD for solvency purposes during periods of favourable economic trends whereas the opposite will apply during periods of adverse economic trends.

The charts below show PD for solvency purposes and realised default rates since 2005. As can be seen, PD for solvency purposes is higher than the realised default rate except for 2009 as regards corporate clients.

Probability of default (PD) – corporate clients



Probability of default (PD) – retail clients



Loss given default (LGD)
LGD represents the proportion of a given exposure that is expected to be lost if the client defaults within the next 12 months.

As a rule the size of LGD will vary depending on the category of the borrower as well as the realisable value of any collateral or other type of hedging.

As regards retail clients the Group uses its own estimates of the realisable value of collateral and of the loss on the unsecured part of the exposure.

The realisable value reflects the market value of collateral net of:
- The expected decline in asset values during a recession.
- Transferability of the collateral.
- Any currency mismatch between collateral and exposure.

As regards corporate clients the Group applies supervisory parameters of collateral as well as of the loss on the unsecured part of the exposure in accordance with the foundation IRB approach. This approach sets a number of limitations as to eligible forms of collateral.

As a consequence of these limitations the Group cannot deduct a number of assets held as collateral when determining the Pillar I capital requirement.

The table below shows the average estimated and realised LGD rates of retail clients in default in the period 2005-2011.

Loss given default (LGD) – retail clients

%	Estimated	Realised
2011	68	81
2010	65	82
2009	64	83
2008	66	84
2007	67	77
2006	66	69
2005	67	71

Comparing estimated and realised LGD rates is difficult as the estimated values reflect the percentage of the loss of the original exposure when the loss has been finally determined and repayments on the exposure can no longer occur. As regards virtually all exposures in default this period lasts several years and quite often substantial payments are recorded several years after the exposure was in default.

Consequently any comparison is only of value when the calculation of realised losses is more than two years old. As a result it is expected that recent years' realised losses will decline in the years ahead and therefore be more consistent with the estimates for the relevant years due to future payments which are attributed to the year of default.

Conversion factor (CF)

As regards exposures with undrawn credit commitments a conversion factor is estimated indicating the expected utilisation of an undrawn credit commitment at the time of default. Exposure at default is then calculated as the amount already drawn plus expected additional drawings until default.

The Group uses its own conversion factor estimates as regards retail clients. In connection with corporate clients the conversion factor is determined in accordance with the Danish FSA rules on the foundation IRB approach.

The table below shows the average-estimated and realised conversion factors of undrawn credit commitments of retail clients in default in the period from 2005 to 2011.

Conversion factor (CF) – retail clients

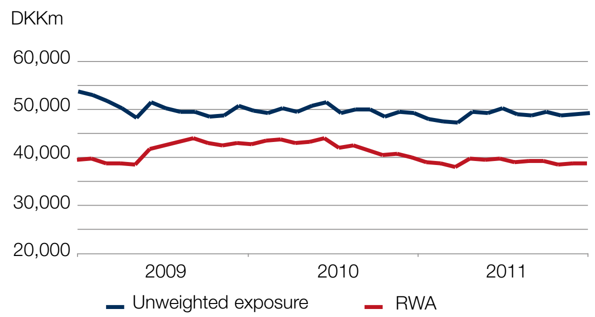
%	Estimated	Realised
2011	98	32
2010	99	36
2009	96	49
2008	100	103
2007	100	48
2006	100	79
2005	100	84

As can be seen above the Group's conversion factor estimates as regards retail clients were around 100% throughout the period, corresponding to full recognition of undrawn credit commitments. The realised conversion factors were significantly lower except for 2008 when the realised value was almost identical to the estimate.

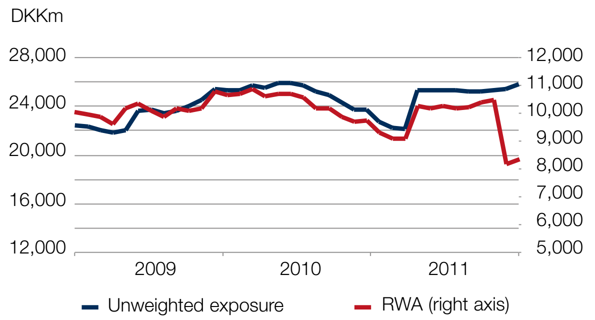
Risk-weighted assets (RWA)

RWA is a function of PD, LGD and EAD. RWA appears from "Appendix 2 – Supplementary tables". The charts below show the connection between unweighted exposure and RWA of corporate clients and retail clients, respectively.

RWA and unweighted exposure – corporate clients



RWA and unweighted exposure – retail clients



The decline in RWA as regards retail clients in late 2011 is due to the implementation of an improved rating system for retail clients. The new model has a higher coefficient of determination than the model used so far and as a result more clients are rated in either better or poorer rating categories. As a consequence of the new rating of clients, RWA is lower.

Industry breakdown

The composition of the Group's credit exposure to corporate clients must be in line with individual industry prospects and may not deviate materially from the industry diversification of other banks. However, due to special circumstances, the Group may deliberately underweight its exposure to certain industries.

The table below shows the exposure by way of loans and advances and guarantees to 10 primary industries as well as to retail clients and public authorities. Following individual impairment charges, total bank loans and advances represent DKK 68,847m.

2011 DKKm	Loans and advances before individual impairment charges	Loans and advances after individual impairment charges	Guarantees	Individually impaired loans and advances
Corporate				
Agriculture, hunting, forestry and fisheries	6,744	6,269	274	865
Manufacturing and extraction of raw materials	5,567	5,448	384	262
Energy supply	1,550	1,550	17	0
Building and construction	1,895	1,855	740	84
Trade	7,770	7,612	1,271	325
Transportation, hotels and restaurants	2,026	1,978	129	77
Information and communication	264	264	(4)	0
Finance and insurance	9,943	9,671	192	506
Real property	7,749	7,604	639	316
Other industries	3,333	3,286	408	93
Total corporate	**46,841**	**45,537**	**4,050**	**2,197**
Public authorities	565	565	12	
Retail	23,252	22,912	4,209	613
Collective impairment charges	(167)	(167)		
Total	**70,491**	**68,847**	**8,271**	**3,141**
Agriculture, hunting, forestry and fisheries				
Pig farming	2,057	1,895	92	326
Cattle farming	1,940	1,720	52	377
Crop production	1,277	1,240	68	62
Other agriculture	1,470	1,414	62	100
Total	**6,744**	**6,269**	**274**	**865**
Manufacturing and extraction of raw materials				
Iron and metal	1,944	1,898	183	112
Food, beverage and tobacco	977	962	40	24
Clothing	925	910	21	31
Other manufacturing and extraction of raw materials	1,721	1,678	140	95
Total	**5,567**	**5,448**	**384**	**262**
Trade				
Wholesale	4,703	4,617	930	176
Retail	1,841	1,785	250	105
Car dealers and garages	1,226	1,210	91	44
Total	**7,770**	**7,612**	**1,271**	**325**
Finance and insurance				
Holding companies	3,580	3,388	144	332
Financing companies	6,363	6,283	48	174
Total	**9,943**	**9,671**	**192**	**506**
Real property				
Leasing of commercial property	3,002	2,932	222	132
Leasing of residential property	1,746	1,718	184	57
Housing associations and private housing societies	624	624	8	0
Purchase, development and sale on own account	1,179	1,142	54	103
Other related to real property	1,198	1,188	171	24
Total	**7,749**	**7,604**	**639**	**316**

In addition the table shows impaired loans and advances and accumulated impairment charges as well as impairment charges for loans and advances etc for the year by industry.

The accumulated impairment ratio constitutes 2.3% and impaired loans and advances represent 4.4% of the total volume of lending. It must be noted that 12.8% of loans and advances to agriculture are regarded as impaired and that the relevant impairment charges total 54.9%, whereby the impairment ratio for agriculture totals 7.0%.

Impairment of individually impaired loans and advances	Impairment charges for loans and advances for the year	Individually impaired loans and advances as % of loans and advances	Impairment charges as % of impaired loans and advances	Impairment charges as % of loans and advances
475	356	12.8	54.9	7.0
119	38	4.7	45.4	2.1
0	(13)	0.0	-	0.0
40	64	4.4	47.6	2.1
158	103	4.2	48.6	2.0
48	51	3.8	62.3	2.4
0	1	0.0	-	0.0
272	205	5.1	53.8	2.7
145	209	4.1	45.9	1.9
47	26	2.8	50.5	1.4
1,304	**1,040**	**5.4**	**51.6**	**2.8**
340	154	2.6	55.5	1.5
	1			
1,644	**1,195**	**4.4**	**52.3**	**2.3**
162	144	15.8	49.7	7.9
220	162	19.4	58.4	11.3
37	27	4.9	59.7	2.9
56	23	6.8	56.0	3.8
475	**356**	**12.8**	**54.9**	**7.0**
46	40	5.8	41.1	2.4
15	2	2.5	62.5	1.5
15	8	3.4	48.4	1.6
43	(12)	5.5	45.3	2.5
119	**38**	**4.7**	**45.4**	**2.1**
86	62	3.7	48.9	1.8
56	25	5.7	53.3	3.0
16	16	3.6	36.4	1.3
158	**103**	**4.2**	**48.6**	**2.0**
192	160	9.3	57.8	5.4
80	45	2.7	46.0	1.3
272	**205**	**5.1**	**53.8**	**2.7**
70	93	4.4	53.0	2.3
28	31	3.3	49.1	1.6
0	0	0.0	-	0.0
37	42	8.7	35.9	3.1
10	43	2.0	41.7	0.8
145	**209**	**4.1**	**45.9**	**1.9**

Industry breakdown

The table below shows the Group's loans and advances to industries by rating category. It must be noted that 68% of total loans and advances are rated in categories 1-4 whereas the percentage for agriculture is 43.

Loans and advances by industry and rating category

DKKm							**2011**
Rating category	1-2	3-4	5-6	7-9	Default	STD/NR	Total
Industry							
Agriculture, hunting, forestry and fisheries	492	2,406	2,237	1,470	130	9	6,744
Manufacturing and extraction of raw materials	2,074	2,160	712	531	86	4	5,567
Energy supply	1,114	272	119	39	0	6	1,550
Building and construction	165	889	488	289	64	0	1,895
Trade	971	4,630	1,271	718	174	6	7,770
Transportation, hotels and restaurants	380	1,050	302	247	32	15	2,026
Information and communication	252	7	4	1	0	0	264
Finance and insurance	3,028	3,277	1,590	1,675	365	8	9,943
Real property	1,535	2,047	2,062	1,342	763	0	7,749
Other industries	822	1,544	510	391	52	14	3,333
Public authorities	0	4	0	0	0	561	565
Retail	14,958	4,057	2,108	1,042	273	814	23,252
Total	**25,791**	**22,343**	**11,403**	**7,745**	**1,939**	**1,437**	**70,658**
Individual impairment charges							1,644
Collective impairment charges							167
Total loans and advances							**68,847**

Focus on real property as well as building and construction

According to the Group's credit policy, loans and advances and guarantees to exposures in the property sector and the building and construction sector may not exceed 20% of the Group's total lending and guarantee portfolio.

In the tables below the two main industries are divided into the following sub-industries:

- Clients who mainly invest in properties that are let out for commercial use.
- Clients who mainly invest in properties that are let out for residential use.
- Housing associations and private housing societies.
- Clients who mainly invest in properties for subsequent resale.
- Other – typically a combination of the above.
- Building and construction.

Real property as well as building and construction – lending by sub-industry and rating category

DKKm							**2011**
Rating category	1-2	3-4	5-6	7-9	Default	Total	Imp.
Real property							
Leasing of commercial property	333	1,157	909	415	188	3,002	70
Leasing of residential property	71	427	622	591	35	1,746	28
Housing associations and private housing societies	608	7	9	0	0	624	0
Purchase, development and sale on own account	159	253	244	159	364	1,179	37
Other related to real property	364	203	278	177	176	1,198	10
Total real property	**1,535**	**2,047**	**2,062**	**1,342**	**763**	**7,749**	**145**
Building and construction	165	889	488	289	64	1,895	40
Total	**1,700**	**2,936**	**2,550**	**1,631**	**827**	**9,644**	**185**

As shown above, total loans and advances concerning real property as well as building and construction constitute DKK 9,644m, equivalent to 14% of the Group's lending portfolio. 48% of total loans and advances are rated in categories 1-4.

Outlook for the property market

The commercial rental property market is expected to remain under pressure in the coming period as a result of weak economic prospects. Earnings and liquidity in many enterprises are squeezed, which is discouraging them from investing and expanding. In general corporate investments remain at a very low level.

Instead enterprises are focused on cost cutting, which will have a negative effect on the commercial rental property market. Given the uncertain economic climate there is a risk that vacancy rates may come under further pressure, which will squeeze rental levels even more – especially in secondary locations. As a result of developments, owning commercial property has become more risky, which contributes to increasing investors' required rate of return.

The residential rental property market is characterised by a shortage of buyers and at the same time the supply of properties is growing, partly because Danish banks wish to reduce their exposure to the real property sector. This puts pressure on the already vulnerable property market and as a result of the economic outlook the market will also be under pressure in the period ahead.

The construction industry has been impacted in particular by socio-economic developments. Bringing forward public investments may boost the industry for a brief period but it is projected that it will probably take longer before the industry experiences self-sustaining growth in light of the weak prospects for the Danish economy.

Focus on agriculture

Agriculture – lending by sub-industry and rating category

DKKm								2011
Rating category	1-2	3-4	5-6	7-9	Default	NR	Total	Imp.
Agriculture								
Pig farming	81	742	753	418	63	0	2,057	162
Cattle farming	43	487	664	723	14	9	1,940	220
Crop production	121	520	476	148	12	0	1,277	37
Other agriculture	247	657	344	181	41	0	1,470	56
Total	**492**	**2,406**	**2,237**	**1,470**	**130**	**9**	**6,744**	**475**

Agriculture is divided into the following sub-industries:

- Pig farming.
- Cattle farming (beef cattle and dairy cattle).
- Crop production.
- Other agriculture (primarily forestry, mink farming and leisure farmers).

As shown in the table, loans and advances to pig and cattle farming represent a large share of the weakest rating categories (7-9 and default).

Outlook for agriculture

Pig farming

Danish pig breeders face a year in which an increase in earnings is projected as a result of more favourable terms of trade and continued low interest rates. It is expected that it will be possible for pig breeders to consolidate their businesses.

Following a period where it was difficult to export piglets, developments have improved and resulted in satisfactory sales prices, which strengthens earnings for the industry as a whole.

The debt-equity ratio in the industry is relatively high and when assessing the sector the Group continues to pay particular attention to operating profits and liquidity management at farm level.

There is increased focus on farms which do not comply with the animal welfare requirements that enter into force on 1 January 2013.

In spite of improvements the industry continues to face significant challenges due to the considerable uncertainty regarding developments in interest rates and the decline in land prices which is straining the capital position of farms.

Cattle farming

Milk producers have obtained satisfactory settlement prices. A small decline in settlement prices is expected in the year to come. However it is estimated that acceptable earnings will still be possible for the industry as a whole although there are considerable individual differences at farm level and in terms of production size. There is focus on these differences.

It is estimated that large farms will be hit relatively harder in terms of earnings as a result of their burden of debt following major increases in production capacity.

Overall the latest earnings projections for cattle farming continue to indicate that operating profits will balance but less capable and inefficient farms face challenges.

Crop production

Corn prices have gone down again after a period of large fluctuations. Against this background a small decrease in crop producers' earnings is projected in the coming period. Crop producers are vulnerable to further declines in commodities prices.

Crop farms that have more diversified crops and special crops are less sensitive.

Crop farms in general are still expected to be able to make an acceptable operating profit to service debt.

There continues to be significant focus on the volatility of commodities prices and the extent to which it will impact industry earnings.

The industry is relatively capital heavy and farms with a high debt-equity ratio are extremely sensitive to increases in interest rates.

The capital position of farms is impacted as a result of the decline in land prices, and operations and liquidity management are of even greater importance than previously.

Focus on retail clients

The table below shows that more than half of loans and advances to retail clients are loans and advances of less than DKK 500,000. 87% of these loans and advances are rated in categories 1-4. 82% of the entire retail client portfolio is rated in categories 1-4.

Loans and advances to retail clients – by amount and rating category

DKKm								**2011**
Rating category	1-2	3-4	5-6	7-9	Default	NR	Total	%
Amount								
< DKK 100,000	1,134	360	177	69	15		1,755	7.5
DKK 100,000-500,000	7,781	1,559	913	366	64		10,683	45.9
DKK 500,000-1,000,000	2,775	668	335	170	49		3,997	17.3
DKK 1-2m	1,583	515	245	157	36		2,536	10.9
DKK 2-5m	996	485	172	137	50		1,840	7.9
DKK 5-10m	357	273	85	91	21		827	3.6
> DKK 10m	332	197	181	52	38		800	3.4
NR/STD						814	814	3.5
Total	**14,958**	**4,057**	**2,108**	**1,042**	**273**	**814**	**23,252**	**100.0**
%	64.3	17.4	9.1	4.5	1.2	3.5	100.0	

As shown below over half of loans and advances to retail clients are for residential property purposes.

Loans and advances to retail clients – by type of loan or advance

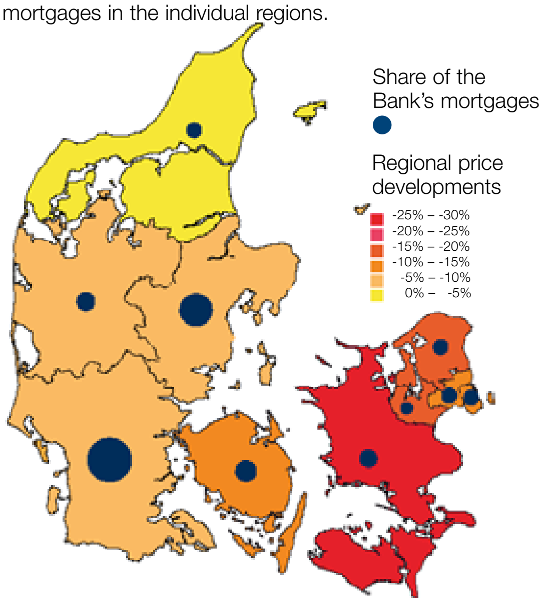
Type of loan or advance	DKKm
Housing loans, bridging loans and construction credit facilities	12,424
Car loans	992
Currency loans and investment credit facilities	1,857
Other loans and advances	7,979
Total	**23,252**

The table and figure below show price developments in real property in Denmark by region since the beginning of 2008.

Breakdown of the Group's mortgages (%)

Region	Share of properties	Share of unpaid debt	Price developments since 2008
South Jutland	44	38	(8)
East Jutland	18	20	(7)
Funen	12	11	(12)
West and South Zealand	7	7	(25)
West Jutland	6	6	(6)
City of Copenhagen	3	5	(8)
Greater Copenhagen Area	3	4	(8)
North Zealand	3	4	(16)
North Jutland	3	3	(2)
East Zealand	1	2	(19)
Total	**100**	**100**	

The data from the table is included in the map of Denmark below where the colours indicate price developments since the beginning of 2008 and the dot size illustrates the share of the Bank's mortgages in the individual regions.



As shown above the Group's mortgages are primarily in the parts of the country where declines in prices have been relatively modest.

Outlook for retail clients

The combination of declining real wages, lower property prices and rising unemployment is expected to result in larger losses on retail clients in the years to come. Despite expectations of mounting unemployment, the employment rate is still relatively high and therefore the increase in losses is anticipated to be moderate.

Concentration

Under section 145 of the Danish Financial Business Act, the exposure to a single client or a group of mutually connected clients, after the deduction of particularly secure claims, may not exceed 25% of the capital base. The compliance with these rules is reported to the Danish FSA on a quarterly basis.

The table below shows the exposures which after the deduction of particularly secure claims constitute 10% or more of the capital base.

Large exposures

DKKm	2011	2010
Exposure > 20% of capital base	-	3,324
Exposure 10-20% of capital base	2,995	2,836
Total	**2,995**	**6,160**
% of capital base	26.3	54.4

The exposures of 26.3% of the Group's capital base are to two major Danish credit institutions.

In addition to calculating exposures according to section 145 of the Danish Financial Business Act, Sydbank uses an internal exposure concept – BIS group – that consolidates clients that are interconnected as a result of any knock-on effect. Consequently a section 145 group may consist of several BIS groups but a BIS group cannot form part of several section 145 groups.

Credit policy

In accordance with its credit policy, the Group does not wish to have exposures to large single clients (however excluding exposures to credit institutions, investment funds and public enterprises), which implies among other factors that:

- The 10 largest exposures (consolidated according to section 145 of the Danish Financial Business Act) may not, as a rule, exceed 10% of the Group's total credit portfolio.
- After deduction of the loan value of any collateral, the 10 largest exposures (consolidated according to the Group's rules for BIS groups) may not exceed 5% of the total credit portfolio.
- As a main rule no exposure to a single client (consolidated according to the Group's rules for BIS groups) may exceed 10% of the Group's core capital.

At year-end 2011 the 10 largest exposures represent 4.7% of the Group's total credit portfolio. After deduction of the loan value of collateral, the 10 largest BIS exposures constitute 4.1% of the total credit portfolio. No exposure (however excluding exposures to credit institutions, investment funds and public enterprises) represents more than 10% of the Group's core capital.

Loans and advances to corporate clients – by amount and rating category

DKKm								2011
Rating category	1-2	3-4	5-6	7-9	Default	NR	Total	%
Amount								
0-1	315	1,343	696	399	87	38	2,878	6.1
1-5	1,240	3,828	2,405	1,366	304	15	9,158	19.3
5-10	948	2,579	1,634	1,292	336	32	6,821	14.4
10-20	1,415	2,977	1,947	1,508	312	24	8,183	17.3
20-50	2,343	3,879	1,812	1,187	454	70	9,745	20.5
50-100	1,093	1,687	493	677	51	64	4,065	8.6
100-200	1,443	1,434	308	274	122	128	3,709	7.8
200-500	1,355	559	-	-	-	252	2,166	4.6
500-	681	-	-	-	-	-	681	1.4
Total	**10,833**	**18,286**	**9,295**	**6,703**	**1,666**	**623**	**47,406**	**100.0**

The table shows total loans and advances per client by BIS group. 78% of loans and advances to corporate clients represent DKK 50m or less.

The table below shows loans and advances to the Group's 100 largest BIS groups by industry and rating category. Since a BIS group often comprises several industries, the loans and advances to some industries in some rating categories may be modest. The 100 groups represent a total of 20% of the Group's total loans and advances. 71% of the 100 loans and advances are rated in categories 1-4 and loans and advances to agriculture constitute 3.9%.

100 largest loans and advances

DKKm								**2011**
Rating category	1-2	3-4	5-6	7-9	Default	NR	Total	%
Industry								
Agriculture, hunting, forestry and fisheries	4	146	375	16			541	3.9
Manufacturing and extraction of raw materials	963	261	4	90			1,318	9.6
Energy supply	935	96	77				1,108	8.0
Building and construction	70	324	44				438	3.2
Trade	377	2,036	125		60		2,598	18.9
Transportation, hotels and restaurants	119	228	68	73			488	3.5
Information and communication	251						251	1.8
Finance and insurance	1,550	1,097	538	701	79		3,965	28.8
Real property	618	490	687	443	159		2,397	17.4
Other industries	10	165	3				178	1.3
Public authorities						379	379	2.8
Retail	9	24	74	9			116	0.8
Total	**4,906**	**4,867**	**1,995**	**1,332**	**298**	**379**	**13,777**	**100.0**
%	35.6	35.3	14.5	9.7	2.2	2.7	100.0	

Concentration

The tables below show the size of the Group's corporate clients measured by the client's net turnover (assets if the client's net turnover is not available).

Corporate clients by size of enterprise, excluding default

% Turnover/assets (DKKm)	Number of BIS groups	Loans/advances and guarantees
0-25	67	35
25-50	7	11
50-100	5	10
100-200	3	9
200-400	2	9
400-	2	19
NA	14	7
Total	**100**	**100**

Loans and advances and guarantees to corporate clients by size of enterprise and rating category, excluding default

% Turnover/assets (DKKm)	1-2	3-4	5-6	7-9	Total
0-25	13	37	26	24	100
25-50	18	40	31	11	100
50-100	22	44	21	13	100
100-200	21	49	22	8	100
200-400	30	42	18	10	100
400-	43	47	5	5	100
NA	26	26	28	20	100
Total	**23**	**41**	**21**	**15**	**100**

Corporate clients who have a net turnover/assets of less than DKK 25m represent 67% of the Group's corporate loans and advances when measured by number of clients whereas in monetary terms the same clients constitute 35% of the Group's corporate loans and advances.

The majority of loans and advances and guarantees are to clients in rating categories 1-4. The rating is generally higher, the larger the enterprise.

Collateral

The Group aims to mitigate the risk on individual transactions in the form of charges on assets, netting agreements, guarantees etc.

The most frequent types of charges include mortgages and charges on financial assets (shares, bonds and units).

The Group receives different kinds of guarantees for exposures. Many of these are provided by companies or individuals who have a group relationship with the debtor. For precautionary reasons no independent value is attached to such guarantees.

The Group assesses on an ongoing basis the value of collateral provided.

The values are determined as the expected net proceeds on realisation.

As regards the most frequent types of collateral, the Group has established models that estimate the value of the assets in question. As regards types of collateral where no valuation model exists, the value is determined on the basis of expert assessments.

The table below shows the size of loans and advances and guarantees as well as EAD calculated according to rating category. EAD is an estimate of the balance if the client defaults and thereby takes into account the fact that the client will often make further drawings on his undrawn credit commitments until the time of default. The value of the Bank's collateral is assessed relative to EAD. Approximately one third of the Bank's EAD is covered via collateral.

Breakdown of collateral by rating category

DKKm					**2011**
	Loans and advances	Guarantees	EAD	Collateral	EAD unsecured
1	10,643	1,703	19,941	5,506	14,435
2	15,148	1,992	24,623	10,901	13,722
3	12,548	1,404	15,055	4,057	10,998
4	9,796	685	10,891	3,057	7,834
5	8,501	692	9,418	2,367	7,051
6	2,903	204	3,200	853	2,347
7	2,027	82	2,205	553	1,652
8	1,817	168	1,990	469	1,521
9	3,900	207	4,129	920	3,209
Default	1,939	54	1,998	442	1,556
STD/NR	1,436	1,080			
Total	**70,658**	**8,271**	**93,450**	**29,125**	**64,325**
Individual impairment of loans and advances	1,644				
Collective impairment of loans and advances	167				
Total	**68,847**				

Collateral

As shown below, the Bank's EAD regarding clients in rating category 2 is DKK 24,623m, of which the unsecured portion 0-20% represents DKK 8,595m, ie collateral has been provided as regards 80-100% of this EAD. Similarly DKK 11,199m has an unsecured portion of 80-100%, which means that collateral has been provided as regards 0-20% of this EAD. The breakdown shows relatively high hedging in the better rating categories, and this is primarily ascribable to EAD to clients who have investment credit facilities that are fully hedged as well as reverse transactions.

EAD by unsecured portion and rating category

DKKm	0-20%	20-40%	40-60%	60-80%	80-100%	**2011** Total
1	3,396	428	812	3,442	11,863	19,941
2	8,595	650	1,661	2,518	11,199	24,623
3	1,867	924	1,347	2,062	8,855	15,055
4	1,426	592	1,221	1,604	6,048	10,891
5	821	578	989	1,451	5,579	9,418
6	169	310	274	755	1,692	3,200
7	76	260	235	333	1,301	2,205
8	169	26	374	155	1,266	1,990
9	158	168	779	561	2,463	4,129
Default	155	56	243	408	1,136	1,998
Total	**16,832**	**3,992**	**7,935**	**13,289**	**51,402**	**93,450**

Impairment charges

Where there is objective evidence of impairment of loans and advances or amounts owed, individual impairment charges are recorded. The charge equals the difference between the carrying amount of the loan/advance and the present value of the expected future cash flows from the loan/advance including the realisation of any collateral held. Determination of the expected future cash flows is based on the most likely outcome.

Clients with exposures subject to objective evidence of impairment but who are not in default are automatically downgraded to rating category 9 while clients in default are automatically downgraded to rating category 10.

Loans and advances without objective evidence of impairment are collectively assessed for impairment. Such assessments concern groups of loans and advances with uniform credit risk characteristics.

The models applied are based on classifications where group classification is defined by clients' current classifications. Collective impairment charges are determined by the rating at the balance sheet date compared with the rating on the establishment of the loan/advance. The consequence of rating changes as regards the groups' future cash flows is determined on a net basis.

The cash flows are specified by means of parameters used to calculate the capital requirement as well as by means of historical loss data adjusted for accounting purposes. Where the Group becomes aware that deteriorations or improvements which the models have not yet taken fully into account have occurred at the balance sheet date, the impairment charge is adjusted accordingly.

Impairment testing is conducted quarterly in a process managed by the centralised credit organisation.

Financial counterparties

Trading in securities, currencies and derivatives, as well as payment services etc involve exposure to financial counterparties in the form of delivery risk or credit risk.

Delivery risk is the risk that the Group does not receive payments or securities in connection with the settlement of securities or currency transactions equalling the securities or payments delivered by the Group.

Management grants delivery risk lines and credit risk lines to financial counterparties based on the risk profile of the individual counterparty which is assessed in terms of rating, earnings, capital position and size. Risks and lines to financial counterparties are monitored continuously.

The Group participates in an international foreign exchange settlement system, CLS®, which aims to reduce delivery risk. In CLS® payment is made on the net position for each currency, and only one amount for each currency is paid or received. In addition this net exposure is to one counterparty only, who is the Group's partner in the system.

The Group aims to mitigate credit risk to financial counterparties in many ways, eg by concluding netting agreements. Moreover the Group has entered into agreements with all significant counterparties to ensure credit risk mitigation of derivatives. Exposures are calculated on a daily basis after which the parties settle collateral. Consequently exposures are reset in all material respects on a daily basis. The agreements are managed by Operations.

Appendix 1 – Glossary

CEBS	The Committee of European Banking Supervisors.
CF	Conversion Factor, ie the proportion of the undrawn credit commitment that the client is expected to have drawn at default.
CLS®	Continuous Linked Settlement. A settlement system operating on the principle of "payment on delivery", which minimises the settlement risk of currency transactions concluded between CLS® participants.
Default	When a client is not expected to meet all of his payment obligations.
EAD	Exposure At Default. EAD represents the expected size of an exposure, ie how much a client is expected to owe at the time of default.
Gross exposure	Loans and advances, undrawn credit commitments, interest receivable, repo/reverse transactions and guarantees as well as counterparty risk on derivatives. The exposure is determined after impairment charges and provisions.
IRB	Internal ratings based approach to manage credit risk and calculate the capital requirement as regards credit risk.
LGD	Loss Given Default. LGD represents the proportion of a given exposure that is expected to be lost if the client defaults within the next 12 months.
Net exposure	Gross exposure after inclusion of the conversion factor and after deduction of collateral.
Netting agreement	Agreement according to which the rights and obligations of two or more parties are netted. Credit risk is mitigated via netting agreements.
OEI	Objective evidence of impairment and therefore impairment charges must be calculated.
PD	Probability of Default. Probability that a client will default within the next 12 months.
RWA	Risk-weighted assets calculated in accordance with prevailing capital adequacy rules.
STD	Standardised approach to calculate credit risk.
Unsecured portion	Following a cautious assessment of collateral provided, the portion of an exposure for which collateral does not exist.

Appendix 2 – Supplementary tables

The Group's credit exposure

DKKm **Exposure category**	Approach	Gross exposure	Credit risk mitigation	Effect of conversion factors	Exposure (unweighted)	RWA	**2011** Average exposure for the year
Corporate clients	STD	1,574	0	(211)	1,363	1,363	2,615
	IRB	82,884	(13,060)	(21,863)	47,961	38,763	82,202
Retail clients	STD	159	0	(4)	155	116	300
	IRB	32,693	(6,597)	(262)	25,834	8,343	32,788
Total corporate clients and retail clients		**117,310**	**(19,657)**	**(22,340)**	**75,313**	**48,585**	**117,905**
Governments etc	STD	6,472	(953)	(1,344)	4,175	0	4,583
Institutions	STD	29,985	(22,557)	(993)	6,435	1,316	25,638
Shares	STD	926			926	926	886
Other exposures		1,476			1,476	1,476	1,510
Total		**156,169**	**(43,167)**	**(24,677)**	**88,325**	**52,303**	**150,522**
Share IRB (%)		75	46	90	85	93	77
Share STD (%)		25	54	10	15	7	23

DKKm							**2010**
Corporate clients	STD	5,245	(103)	(1,381)	3,761	3,798	5,705
	IRB	84,185	(16,008)	(18,974)	49,203	40,156	83,068
Retail clients	STD	813	(88)	(183)	542	416	902
	IRB	34,484	(10,499)	(263)	23,722	9,729	35,158
Total corporate clients and retail clients		**124,727**	**(26,698)**	**(20,801)**	**77,228**	**54,099**	**124,833**
Governments etc	STD	3,347	(365)	(1,284)	1,698	0	3,756
Institutions	STD	29,488	(20,115)	(2,130)	7,243	1,477	33,942
Shares	STD	858			858	858	771
Other exposures		1,606			1,606	1,606	1,659
Total		**160,026**	**(47,178)**	**(24,215)**	**88,633**	**58,040**	**164,961**
Share IRB (%)		75	56	79	84	88	72
Share STD (%)		25	44	21	16	12	28

Credit exposure by industry

DKKm					2011
Industry/exposure category	Corporate clients	Retail clients	Other	Total	%
Agriculture, hunting, forestry and fisheries	8,577	318		8,895	7.6
Manufacturing and extraction of raw materials	9,474	95		9,569	8.2
Energy supply	2,033	31		2,064	1.8
Building and construction	3,957	164		4,121	3.5
Trade	14,454	285		14,739	12.5
Transportation, hotels and restaurants	3,086	137		3,223	2.7
Information and communication	267	31		298	0.3
Finance and insurance	14,723	562		15,285	13.0
Repo/reverse	7,638	24		7,662	6.5
Real property	10,901	799		11,700	10.0
Other industries	4,820	600		5,420	4.6
Sector guarantees	243			243	0.2
Retail	4,285	29,806		34,091	29.1
Total corporate clients and retail clients	**84,458**	**32,852**		**117,310**	**100.0**
Governments etc			6,472	6,472	
Institutions, repo/reverse			23,023	23,023	
Institutions, other			6,940	6,940	
Sector guarantees			22	22	
Shares			926	926	
Other exposures			1,476	1,476	
Total	**84,458**	**32,852**	**38,859**	**156,169**	

DKKm					2010
Agriculture	9,345	292		9,637	7.7
Manufacturing	9,067	123		9,190	7.4
Building and construction	3,816	232		4,048	3.2
Trade (retail and wholesale)	14,900	446		15,346	12.3
Transportation	3,018	93		3,111	2.5
Investments, repo/reverse	10,656	23		10,679	8.6
Investments, other	16,901	1,318		18,219	14.6
Real property	11,185	146		11,331	9.1
Services (professions)	6,631	607		7,238	5.8
Sector guarantees	166			166	0.1
Retail	3,745	32,017		35,762	28.7
Total corporate clients and retail clients	**89,430**	**35,297**		**124,727**	**100.0**
Governments etc			3,347	3,347	
Institutions, repo/reverse			20,672	20,672	
Institutions, other			8,797	8,797	
Sector guarantees			19	19	
Shares			858	858	
Other exposures			1,606	1,606	
Total	**89,430**	**35,297**	**35,299**	**160,026**	

Appendix 2 – Supplementary tables

Credit exposure to corporate clients by rating category (IRB)

						2011
		Exposure	Exposure-weighted, average			
Rating category	Gross exposure (DKKm)	after effect of conversion factors (DKKm)	PD (%)	LGD (%)	Risk weight (%)	RWA (DKKm)
1	6,501	5,071	0.0	24.8	9.8	498
2	24,201	15,641	0.1	24.2	18.4	2,881
3	16,631	11,104	0.5	41.2	57.8	6,419
4	12,811	9,495	0.9	42.7	78.8	7,480
5	9,540	7,704	1.7	41.6	94.2	7,258
6	3,344	2,897	3.3	42.2	112.3	3,254
7	2,302	2,088	4.7	42.4	125.8	2,627
8	2,021	1,828	5.6	42.9	136.7	2,498
9	3,686	3,433	10.8	42.6	170.3	5,848
10 (default)	1,847	1,760	100.0	43.8	-	0
Total	**82,884**	**61,021**	**-**	**-**	**-**	**38,763**

						2010
1	5,034	4,477	0.0	20.7	8.3	371
2	22,243	16,475	0.1	19.0	14.3	2,351
3	18,280	12,582	0.4	38.3	54.1	6,808
4	12,857	9,537	0.9	39.0	71.3	6,796
5	11,056	8,878	1.7	41.8	94.6	8,402
6	4,199	3,542	3.3	41.1	111.7	3,957
7	2,636	2,371	4.7	41.8	124.8	2,958
8	1,882	1,748	5.6	44.0	134.2	2,345
9	3,999	3,650	10.7	42.2	169.0	6,168
10 (default)	1,999	1,951	100.0	43.2	-	-
Total	**84,185**	**65,211**	**-**	**-**	**-**	**40,156**

The table above shows the rating of corporate clients' gross exposures after the deduction of the conversion factor as well as exposure-weighted LGD, PD and average risk weight. The average risk weight is determined according to the Danish executive order on capital adequacy as a function of LGD and PD. RWA is calculated as the exposure after the conversion factor multiplied by the risk weight.

Credit exposure to retail clients by rating category (IRB)

Rating category	Gross exposure (DKKm)	Exposure after effect of conversion factors (DKKm)	Exposure-weighted, average PD (%)	LGD (%)	Risk weight (%)	RWA (DKKm)
2011						
1	14,995	14,871	0.0	54.0	5.6	838
2	9,029	8,984	0.1	53.1	13.7	1,232
3	3,974	3,950	0.4	56.6	36.6	1,447
4	1,461	1,396	0.9	58.0	64.3	898
5	1,717	1,714	1.6	55.6	85.5	1,465
6	299	298	3.4	53.9	103.4	308
7	116	116	4.7	57.4	108.2	126
8	162	162	6.1	52.9	120.8	196
9	702	702	19.6	58.2	213.8	1,500
10 (default)	238	238	100.0	63.1	-	333
Total	**32,693**	**32,431**	**-**	**-**	**-**	**8,343**
2010						
1	11,480	11,367	0.0	42.5	5.5	627
2	10,216	10,135	0.1	47.0	14.2	1,443
3	6,410	6,369	0.4	49.9	35.8	2,278
4	3,219	3,201	1.1	49.9	61.7	1,974
5	1,902	1,895	2.1	48.7	84.2	1,595
6	498	497	3.6	47.0	103.7	515
7	80	79	5.1	50.7	126.2	100
8	46	46	6.4	52.7	138.0	64
9	411	410	13.1	51.6	197.1	807
10 (default)	222	222	100.0	59.6	-	326
Total	**34,484**	**34,221**	**-**	**-**	**-**	**9,729**

Appendix 2 – Supplementary tables

Credit exposure by client's country of domicile

DKKm					2011
	Denmark	Germany	Switzerland	Other	Total
Corporate clients	71,940	4,146	345	8,027	84,458
Retail clients	30,970	622	71	1,189	32,852
Total corporate clients and retail clients	**102,910**	**4,768**	**416**	**9,216**	**117,310**
Governments etc	6,363	96	13	-	6,472
Institutions	25,344	790	1,361	2,490	29,985
Shares	926	-	-	-	926
Other exposures	1,342	85	29	20	1,476
Total	**136,885**	**5,739**	**1,819**	**11,726**	**156,169**

DKKm					2010
Corporate clients	75,043	3,607	946	9,834	89,430
Retail clients	32,644	614	332	1,707	35,297
Total corporate clients and retail clients	**107,687**	**4,221**	**1,278**	**11,541**	**124,727**
Governments etc	3,305	30	12	-	3,347
Institutions	24,043	1,992	676	2,777	29,488
Shares	858	-	-	-	858
Other exposures	1,500	76	12	18	1,606
Total	**137,393**	**6,319**	**1,978**	**14,336**	**160,026**

Credit exposure by exposure category and maturity

DKKm	Non-allocated	3 months or less	Over 3 months not exceeding 1 year	Over 1 year not exceeding 5 years	Over 5 years	2011 Total
Corporate clients	-	53,728	17,873	7,488	5,369	84,458
Retail clients	-	11,886	8,851	3,490	8,625	32,852
Total corporate clients and retail clients	**-**	**65,614**	**26,724**	**10,978**	**13,994**	**117,310**
Governments etc	680	5,100	669	10	13	6,472
Institutions	-	29,214	711	60	-	29,985
Shares	926	-	-	-	-	926
Other exposures	1,476	-	-	-	-	1,476
Total	**3,082**	**99,928**	**28,104**	**11,048**	**14,007**	**156,169**

DKKm						2010
Corporate clients	-	56,279	17,884	8,901	6,366	89,430
Retail clients	-	12,733	10,156	3,956	8,452	35,297
Total corporate clients and retail clients	**-**	**69,012**	**28,040**	**12,857**	**14,818**	**124,727**
Governments etc	650	2,030	641	-	26	3,347
Institutions	-	28,368	1,113	4	3	29,488
Shares	858	-	-	-	-	858
Other exposures	1,606	-	-	-	-	1,606
Total	**3,114**	**99,410**	**29,794**	**12,861**	**14,847**	**160,026**

The table shows the maturity of the Group's exposures broken down into different segments. According to the Group's documents, the majority of corporate exposures can be terminated at very short notice and retail exposures can normally be terminated at a notice of three months.

Appendix 2 – Supplementary tables

Credit exposure by credit quality

DKKm	Corporate clients	Retail clients	Other	**2011** Total
Neither past due nor impaired	82,937	32,525	38,859	154,321
Past due but not impaired	78	54		132
Impaired after impairment charges	1,443	273		1,716
Total	**84,458**	**32,852**	**38,859**	**156,169**

DKKm				**2010**
Neither past due nor impaired	88,185	34,838	35,299	158,322
Past due but not impaired	48	45		93
Impaired after impairment charges	1,197	414		1,611
Total	**89,430**	**35,297**	**35,299**	**160,026**

Impaired amounts owed include amounts owed by clients where there is objective evidence of individual impairment. Past due amounts consist of loans and advances from a client's first day of arrears where there is no objective evidence of impairment. A very limited share of past due amounts concerns high credit risk clients.

Past due amounts

DKKm			**2011**			**2010**
	Retail clients	Corporate clients	Total	Retail clients	Corporate clients	Total
0-30 days	76	51	127	42	42	84
31-60 days	1	2	3	3	6	9
61-90 days	1	1	2			0
Total	**78**	**54**	**132**	**45**	**48**	**93**

Impairment of loans and advances recognised in the income statement

DKKm	2011	2010
Impairment and provisions	681	709
Write-offs	559	880
Recovered from debt previously written off	42	33
Impairment of loans and advances etc	**1,198**	**1,556**

Individually impaired loans and advances and guarantees as well as impairment charges and provisions by client's country of domicile

DKKm			**2011**			**2010**
	Individually impaired loans/advances and guarantees	Individual impairment and provisions	Impaired after impairment charges	Individually impaired loans/advances and guarantees	Individual impairment and provisions	Impaired after impairment charges
Denmark	3,247	1,563	1,684	2,925	1,462	1,463
Germany	99	87	12	215	91	124
Other	39	19	20	68	44	24
Total	**3,385**	**1,669**	**1,716**	**3,208**	**1,597**	**1,611**

Sydbank A/S
CVR No DK 12626509

Peberlyk 4
6200 Aabenraa
Denmark

Tel +45 74 37 37 37

info@sydbank.dk
sydbank.dk

Sydbank