

# Interim Report – Q1-Q3 2011

---

Company Announcement No 16/2011  
25 October 2011

## Contents

### **Financial Review**

Group Financial Highlights	3
Summary	4
Financial Review	6

### **Financial Statements – the Group**

Income Statement	13
Statement of Comprehensive Income	13
Balance Sheet	14
Group Financial Highlights – Quarterly	15
Capital	16
Cash Flow Statement	18
Segment Statements	19
Notes	20

### **Statement**

Management Statement	30
----------------------	----

<b>Supplementary Information</b>	<b>31</b>
----------------------------------	-----------

## Group Financial Highlights

	Q1-Q3 2011	Q1-Q3 2010	Index 11/10	Full year 2010
<b>Income statement (DKKm)</b>				
Core income excl trading income	2,440	2,492	98	3,304
Trading income	698	1,051	66	1,290
<b>Total core income</b>	<b>3,138</b>	<b>3,543</b>	<b>89</b>	<b>4,594</b>
Costs, core earnings	1,890	1,869	101	2,479
<b>Core earnings before impairment</b>	<b>1,248</b>	<b>1,674</b>	<b>75</b>	<b>2,115</b>
Impairment of loans and advances etc	735	944	78	1,400
<b>Core earnings</b>	<b>513</b>	<b>730</b>	<b>70</b>	<b>715</b>
Profit/(Loss) on investment portfolios	(25)	235	-	227
<b>Profit before non-recurring items</b>	<b>488</b>	<b>965</b>	<b>51</b>	<b>942</b>
Non-recurring items	(146)	-	-	-
<b>Profit before contributions to deposit guarantee and PCA</b>	<b>342</b>	<b>965</b>	<b>35</b>	<b>942</b>
Contributions to deposit guarantee and the Private Contingency Association (PCA)	136	384	35	384
<b>Profit before tax</b>	<b>206</b>	<b>581</b>	<b>35</b>	<b>558</b>
Tax	70	145	48	147
<b>Profit for the period</b>	<b>136</b>	<b>436</b>	<b>31</b>	<b>411</b>
<b>Balance sheet highlights (DKKbn)</b>				
Loans and advances at amortised cost	70.0	73.6	95	73.0
Loans and advances at fair value	6.4	6.5	98	10.7
Deposits and other debt	65.0	61.5	106	64.2
Bonds issued at amortised cost	7.5	16.1	47	11.2
Subordinated capital	2.3	3.1	74	2.3
Shareholders' equity	9.5	9.5	100	9.6
Total assets	143.9	153.7	94	150.8
<b>Financial ratios per share (DKK per share of DKK 10)</b>				
EPS Basic **	1.9	5.9		5.6
EPS Diluted **	1.9	5.9		5.6
Share price at end of period	99.0	127.4		151.3
Book value	130.5	130.1		129.8
Share price/book value	0.76	0.98		1.17
Average number of shares outstanding (millions)	73.3	73.6		73.5
Dividend per share	-	-		1.0
<b>Other financial ratios and key figures</b>				
Solvency ratio	15.7	16.1		15.4
Core capital ratio	14.7	14.1		14.3
Pre-tax profit as % of average shareholders' equity **	2.2	6.2		6.0
Post-tax profit as % of average shareholders' equity **	1.4	4.7		4.4
Costs (core earnings) as % of core income	60.2	52.8		54.0
Interest rate risk	0.7	0.4		1.5
Foreign exchange position	1.8	1.4		1.2
Foreign exchange risk	0.1	0.0		0.0
Loans and advances relative to deposits *	1.0	1.1		1.0
Loans and advances relative to shareholders' equity *	7.3	7.7		7.6
Growth in loans and advances for the period *	(4.1)	(1.3)		(2.0)
Excess cover relative to statutory liquidity requirements	115.3	126.3		106.3
Total large exposures	24.2	19.6		54.4
Accumulated impairment ratio excl PCA **	2.1	2.4		2.0
Impairment ratio for the period excl PCA **	0.94	1.15		1.70
Number of full-time staff at end of period	2,270	2,303	99	2,284

Financial ratios are prepared according to "Recommendations & Financial Ratios 2010" published by the Danish Society of Financial Analysts. \* Financial ratios calculated on the basis of loans and advances at amortised cost. \*\* Ratios for the period have not been converted to a full-year basis.

## Summary

The Sydbank Group recorded a pre-tax profit of DKK 206m. The result is adversely affected by non-recurring items of DKK 146m and contributions to the deposit guarantee of DKK 136m in connection with the takeover by the Financial Stability Company of Amagerbanken, Fjordbank Mors and Max Bank. The development is slightly below the expectations at the beginning of the year.

Return on average shareholders' equity before tax constitutes 2.9% p.a. and is not satisfactory.

The Interim Report is characterised by:

- 2% decrease in core income excl trading income
- 34% decline in trading income
- 1% growth in costs (core earnings)
- Decrease in impairment charges for loans and advances of 22% to DKK 735m
- Negative investment portfolio earnings of DKK 25m
- Non-recurring items of minus DKK 146m
- Contributions to the deposit guarantee etc of DKK 136m
- 5% decline in bank loans and advances to DKK 70.0bn
- 6% rise in deposits to DKK 65.0bn
- Core capital ratio of 14.7%
- Solvency ratio of 15.7%
- Very positive development in clients.

Income statement – Q1-Q3 (DKKm)	2011	2010
Core income excl trading income	2,440	2,492
Trading income	698	1,051
<b>Total core income</b>	<b>3,138</b>	<b>3,543</b>
Costs, core earnings	1,890	1,869
<b>Core earnings before impairment</b>	<b>1,248</b>	<b>1,674</b>
Impairment of loans and advances etc	735	944
<b>Core earnings</b>	<b>513</b>	<b>730</b>
Profit/(Loss) on investment portfolios	(25)	235
<b>Profit before non-recurring items</b>	<b>488</b>	<b>965</b>
Non-recurring items	(146)	-
<b>Profit before contributions to deposit guarantee and PCA</b>	<b>342</b>	<b>965</b>
Contributions to deposit guarantee and the Private Contingency Association (PCA)	136	384
<b>Profit before tax</b>	<b>206</b>	<b>581</b>
Tax	70	145
<b>Profit for the period</b>	<b>136</b>	<b>436</b>

Core earnings before impairment represent DKK 1,248m compared with DKK 1,647m in Q1-Q3 2010. The reduction of DKK 426m consists of a decline in core income excl trading income of DKK 52m, a decrease in trading income of DKK 353m and a rise in costs (core earnings) of DKK 21m.

Core earnings before impairment are at the lower end of our announcement in the 2010 Annual Report. The difference can be ascribed to lower trading income.

Impairment charges for loans and advances etc represent DKK 735m (Q1-Q3 2010: DKK 944m).

Investment portfolio earnings amount to minus DKK 25m.

Non-recurring items total minus DKK 146m and comprise:

- Severance pay etc to just under 100 dismissed employees in Denmark: minus DKK 53m
- Winding-up of the subsidiary bank in Switzerland: minus DKK 25m

- Loss in connection with the sale of 24.9% of the share capital in Value-Call S.A. in Luxembourg: minus DKK 68m (The remaining portfolio of 25.0% has been recognised at DKK 8m.).

As stated in the most recent company announcement, the Group wishes to base its foreign private banking activities in Flensburg. The activities of Sydbank PBI in Gråsten have already been transferred. The winding-up of the subsidiary bank in Switzerland and the reduction of the ownership interest in Value-Call are also a consequence of the Group's strategic decision to enhance efficiency and to reorganise. The decisions are based on the need to adapt to the current market conditions. In future it is estimated that this will result in a more profitable, efficient and targeted organisation for the Group's foreign private banking clients.

Contributions to the deposit guarantee etc amount to DKK 136m.

Less a calculated tax charge of DKK 70m, profit for the period stands at DKK 136m.

Profit for the period equals a return on average shareholders' equity of 1.9% p.a. against 6.2% p.a. in 2010. Earnings per share represents DKK 1.9 compared with DKK 5.9 in 2010.

The Group's solvency ratio stands at 15.7%, of which 14.7 percentage points are ascribable to core capital, compared with 15.4% and 14.3 percentage points, respectively, at end-2010. The core capital ratio excluding hybrid core capital is 13.0% compared with 12.7% at the beginning of the year.

The Group's liquidity measured under the 10% statutory requirement constitutes 36.9% at 30 September 2011. As of 1 October 2011 Danmarks Nationalbank has expanded the collateral basis to include good quality credit claims. The Group does not expect to make use of the credit facility. The Group will however include the possible credit facility in the Group's strategic contingency resources.

In Q1-Q3 Sydbank saw a satisfactory influx of retail clients as well as corporate clients. Consequently the foundation for future earnings has been enhanced.

## Development of the Bank

For the purpose of ensuring that the business continues to be sound and strong the following decisions have been made:

- the flat cost development in 2009 and 2010, which was achieved via a reduction in staff of around 200 employees, does not match the continued downturn in the economy and therefore the future level of costs will be reduced. As a consequence 89 employees were dismissed in October. It is expected that the number of full-time staff will total 2,175 at year-end.
- the service concept will be adjusted so that the cashier services in the majority of the Bank's branches will be available only during the afternoon hours.
- to reorganise the advisory services for foreign private banking clients.
- Sydbank (Schweiz) AG will transfer some of its clients to Nordea International Private Banking in Switzerland. The remaining activities will be discontinued.
- the Bank will further strengthen its German operations by taking over the private banking activities of Gries & Heissel Bankiers AG. The agreement concerns just over 1,000 clients and the main part of the business volume consists of custody accounts. As of 1 January 2012 the Bank will be represented in the following cities in Germany: Flensburg, Hamburg, Kiel, Berlin and Wiesbaden.
- to increase the interest rates of floating-rate loans by up to 0.50 percentage points as of 14 October 2011 while the market-determined margin increases made earlier this year will boost the Group's income from interest margins.

## Outlook for 2011

The Group projects core earnings before impairment charges for loans and advances in the region of DKK 1,700-1,850m in 2011, which is a narrowing and clarification compared with the previous announcement of DKK 1.7-2.0bn. The narrowing is solely ascribable to the lower trading income and the uncertainty associated therewith for the remainder of the year.

## Financial Review

### Core income excl trading income

Total core income excl trading income declined by 2% to DKK 2,440m.

Core income excl trading income – Q1-Q3 (DKKm)	2011	2010
Interest margins etc	2,063	2,073
Mortgage credit	131	165
Payment services	115	113
Remortgaging and loan fees	62	70
Other commission	54	54
Other operating income	15	17
<b>Total</b>	<b>2,440</b>	<b>2,492</b>

Despite a 5% decline in bank loans and advances and a 6% increase in deposits compared with 30 September 2010 net interest has only decreased by DKK 10m due to an increase in interest margins in the latter part of the period.

Net income from the cooperation with Totalkredit represents DKK 105m (2010: DKK 129m). Total mortgage credit income amounts to DKK 131m (2010: DKK 165m) and the development reflects the situation in the housing market.

The remaining income components of core income excl trading income declined by a total of DKK 8m compared with Q1-Q3 2010.

### Trading income

Total trading income decreased by 34% – from DKK 1,051m in 2010 to DKK 698m in 2011.

This development must be seen in light of the fact that income in Q1-Q3 2010 was exceptionally high in a favourable market whereas income in Q1-Q3 2011 was adversely affected by lower investment appetite and trading activity among clients as well as high volatility in the financial markets in the wake of the debt crisis, which has had an adverse effect on interest rate derivative activities.

Trading income – Q1-Q3 (DKKm)	2011	2010
Bonds	119	257
Shares	143	211
Currency	149	169
Money market	(33)	104
Asset management	320	310
<b>Total</b>	<b>698</b>	<b>1,051</b>

### Costs and depreciation

The Group's total costs and depreciation recorded DKK 2,106m, which is unchanged compared with 2010. An unchanged amount of DKK 8m can be attributed to investment portfolio earnings.

Non-recurring costs constitute DKK 78m which are made up of severance pay etc of DKK 53m to just under 100 employees and DKK 25m for the winding-up of the subsidiary bank, Sydbank (Schweiz) AG.

Finally, contributions to the deposit guarantee and the Private Contingency Association total DKK 130m in connection with the takeover by the Financial Stability Company of Amagerbanken, Fjordbank Mors and Max Bank. In Q1-Q3 2010 costs included an expense of DKK 227m to the Private Contingency Association.

Costs and depreciation – Q1-Q3 (DKKm)	2011	2010
Staff costs	1,173	1,078
Other administrative expenses	742	728
Depreciation and impairment of property, plant and equipment	60	71
Other operating expenses	131	227
<b>Total costs and depreciation</b>	<b>2,106</b>	<b>2,104</b>
Distributed as follows:		
Costs, core earnings	1,890	1,869
Costs, investment portfolio earnings	8	8
Non-recurring costs	78	-
Costs, deposit guarantee and the Private Contingency Association	130	227

Costs (core earnings) of DKK 1,890m have increased by DKK 21m compared with one year ago, which is consistent with expectations. At end-Q3 2011 the Group's staff numbers 2,270 (full-time equivalent) compared with 2,303 at 30 September 2010.

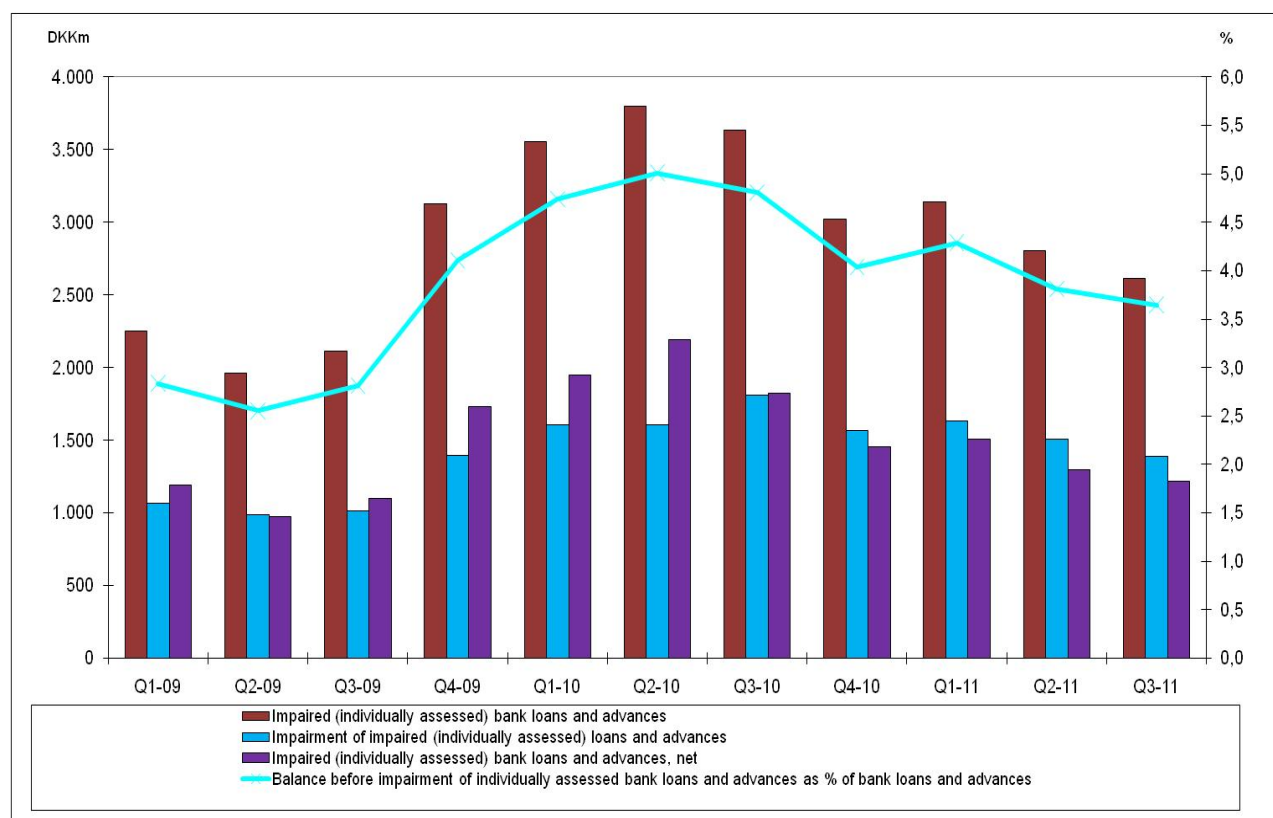
Sydbank has closed one small branch in 2011. As part of the continuing expansion in Zealand, Q2 2011 saw the opening of two new branches in Amager – in Amagerbrogade and in Dragør – as well as a new branch in Hørsholm. The number of branches totals 104 in Denmark and unchanged three in Germany.

### Core earnings before impairment of loans and advances

Core earnings before impairment of loans and advances represent DKK 1,248m – a decrease of DKK 426m or 25% compared with one year ago.

### Impairment of loans and advances etc

Impairment charges for loans and advances constitute DKK 735m (2010: DKK 944m). The impairment ratio represents 1.03% relative to bank loans and advances at 30 September 2011 and 0.93% relative to bank loans and advances and guarantees. At end-September 2011 accumulated impairment and provisions amount to DKK 1,600m. A decline of DKK 163m compared with the beginning of the year.



Compared with 30 September 2010 impaired bank loans and advances before impairment charges have decreased by DKK 1,023m to DKK 2,611m, equal to 28%. During the same period individually impaired bank loans and advances after impairment charges have declined by DKK 602m, equal to 33%. Impairment charges for bank loans and advances subject to individual impairment constitute 53.3% at 30 September 2011 compared with 49.9% one year ago and 51.8% at year-end 2010.

Individually impaired bank loans and advances (DKKm)	30 Sep 2011	30 Sep 2010
Non-defaulted bank loans and advances	1,754	1,769
Defaulted bank loans and advances	857	1,865
Impaired bank loans and advances	2,611	3,634
Impairment charges for bank loans and advances subject to individual impairment	1,392	1,813
Impaired bank loans and advances after impairment charges	1,219	1,821
Impaired bank loans and advances as % of bank loans and advances before impairment charges	3.6	4.8
Impairment charges as % of bank loans and advances before impairment charges	1.9	2.4
Impaired as % of impaired bank loans and advances	53.3	49.9

## Core earnings

Core earnings represent DKK 513m compared with DKK 730m in 2010.

## Investment portfolio earnings

Less funding charges and less related costs of DKK 8m, investment portfolio earnings constitute minus DKK 25m (2010: DKK 235m).

The Group's interest rate risk comprises minus DKK 70m at 30 September 2011. The Group's exchange rate risk continues to be very low and its equity risk modest.

## Non-recurring items

Non-recurring items total minus DKK 146m comprising: DKK 53m concerning the dismissal of employees in Denmark, DKK 25m concerning the winding-up of the subsidiary bank in Switzerland and a loss of DKK 68m in connection with the sale of 24.9% of the share capital in Value-Call S.A. in Luxembourg (The remaining portfolio represents 25.0% and has been recognised at DKK 8m.).

## Contributions to the deposit guarantee and the Private Contingency Association

In connection with the takeover by the Financial Stability Company of Amagerbanken, Fjordbank Mors and Max Bank, an amount of DKK 130m has been charged to income to cover the Bank's contributions to the deposit guarantee and DKK 6m to the Private Contingency Association (Q1-Q3 2010: DKK 384m).

The Group's total costs relating to the deposit guarantee and the Private Contingency Association amount to DKK 1,126m since autumn 2008.

## Subsidiaries

The subsidiary bank, Sydbank (Schweiz) AG, which conducts private banking activities in St. Gallen, Switzerland, recorded a loss after tax of DKK 34m (2010: profit of DKK 3m), of which DKK 25m constitute the projected winding-up costs. Profit after tax of Ejendomsselskabet represents DKK 3m compared with DKK 0m in 2010.

## Profit for the period

Profit before tax amounts to DKK 206m. Less a calculated tax charge of DKK 70m, profit for the period stands at DKK 136m compared with DKK 436m in 2010.

## Return

Profit for the period equals a return on average shareholders' equity of 1.9% p.a. against 6.2% p.a. in 2010. Earnings per share represents DKK 1.9 compared with DKK 5.9 in 2010.



## Q3 compared with Q2

Pre-tax profit for Q3 has increased by DKK 19m and reflects:

- A rise in core income excl trading income of DKK 63m.
- A decline in trading income of DKK 71m due to lower investment appetite and trading activity among clients as well as high volatility in the financial markets.
- A decrease in costs (core earnings) of DKK 66m, which is in line with the expectations for the quarter.
- Investment portfolio earnings of minus DKK 38m compared to minus DKK 62 in the preceding quarter.
- A reversal of contributions to the deposit guarantee of DKK 25m compared with an expense of DKK 63m in Q2 2011. The reversal concerning the deposit guarantee in Q3 2011 comprises a reversal of DKK 50m regarding Amagerbanken and an expected contribution of DKK 25m concerning Max Bank.

Profit for the period (DKKm)	2011			2010			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Core income excl trading income	852	789	799	812	832	831	829
Trading income	164	235	299	239	325	327	399
<b>Core income</b>	<b>1,016</b>	<b>1,024</b>	<b>1,098</b>	<b>1,051</b>	<b>1,157</b>	<b>1,158</b>	<b>1,228</b>
Costs, core earnings	587	653	650	610	588	625	656
<b>Core earnings before impairment</b>	<b>429</b>	<b>371</b>	<b>448</b>	<b>441</b>	<b>569</b>	<b>533</b>	<b>572</b>
Impairment of loans and advances etc	245	240	250	456	311	310	323
<b>Core earnings</b>	<b>184</b>	<b>131</b>	<b>198</b>	<b>(15)</b>	<b>258</b>	<b>223</b>	<b>249</b>
Profit/(Loss) on investment portfolios	(38)	(62)	75	(8)	111	8	116
<b>Profit before non-recurring items</b>	<b>146</b>	<b>69</b>	<b>273</b>	<b>(23)</b>	<b>369</b>	<b>231</b>	<b>365</b>
Non-recurring items	(146)	-	-	-	-	-	-
<b>Profit before contributions to deposit guarantee and PCA</b>	<b>0</b>	<b>69</b>	<b>273</b>	<b>(23)</b>	<b>369</b>	<b>231</b>	<b>365</b>
Contributions to deposit guarantee and the Private Contingency Association (PCA)	(25)	63	98	-	123	122	139
<b>Profit before tax</b>	<b>25</b>	<b>6</b>	<b>175</b>	<b>(23)</b>	<b>246</b>	<b>109</b>	<b>226</b>
Tax	25	1	44	2	61	27	57
<b>Profit for the period</b>	<b>0</b>	<b>5</b>	<b>131</b>	<b>(25)</b>	<b>185</b>	<b>82</b>	<b>169</b>

## Balance sheet

The Group's total assets made up DKK 143.9bn at 30 September 2011 against DKK 150.8bn at year-end 2010.

Assets (DKKbn)	30 Sep 2011	31 Dec 2010
Amounts owed by credit institutions etc	6.6	8.4
Loans and advances at fair value (reverse transactions)	6.4	10.7
Loans and advances at amortised cost (bank loans and advances)	70.0	73.0
Securities and holdings etc	34.7	37.2
Assets related to pooled plans	8.0	7.9
Other assets etc	18.2	13.6
<b>Total</b>	<b>143.9</b>	<b>150.8</b>

The Group's bank loans and advances total DKK 70.0bn – a decline of DKK 3.0bn compared with year-end 2010 and DKK 3.6bn compared with 30 September 2010. The development in bank loans and advances derives from a positive trend in loans and advances to retail clients and a cyclical decline in corporate lending.

Shareholders' equity and liabilities (DKKbn)	30 Sep 2011	31 Dec 2010
Amounts owed to credit institutions etc	32.0	40.2
Deposits and other debt	65.0	64.2
Deposits in pooled plans	8.0	7.9
Bonds issued	7.5	11.2
Other liabilities etc	19.3	15.1
Provisions	0.3	0.3
Subordinated capital	2.3	2.3
Shareholders' equity	9.5	9.6
<b>Total</b>	<b>143.9</b>	<b>150.8</b>

The Group's deposits make up DKK 65.0bn against DKK 64.2bn at year-end 2010 and DKK 61.5bn at end-September 2010.

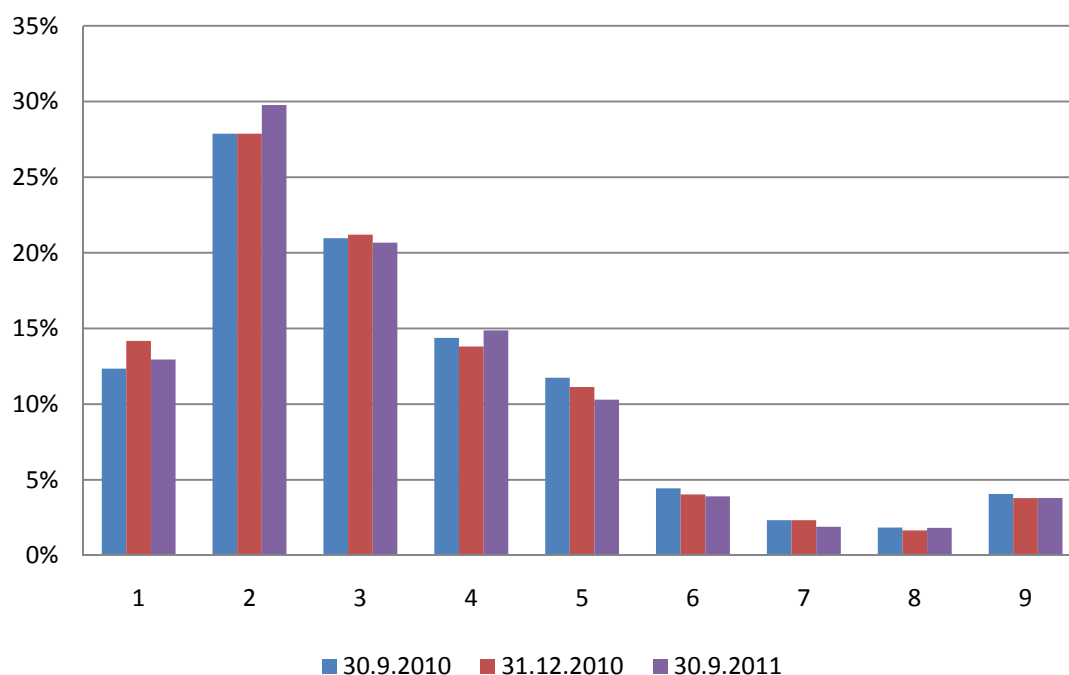
## Capital

The Danish FSA has granted the Bank permission to prepay supplementary capital of DKK 200m in mid-November 2011.

At end-September 2011 shareholders' equity constitutes DKK 9,546m – a decline of DKK 8m since year-end 2010. The change comprises additions from profit for the period of DKK 136m, dividends on own shares of DKK 4m as well as disposals deriving from dividend distribution etc of DKK 84m and net purchases of own shares of DKK 64m.

Since year-end 2010 risk-weighted assets have decreased by DKK 1.4bn to DKK 72.3bn. The decline consists of a decrease in credit risk of DKK 2.9bn and a rise in market risk and operational risk of DKK 0.8bn and DKK 0.7bn, respectively. The decrease in credit risk is ascribable to a decline in loans and advances and guarantees as well as a positive trend in the average rating of the exposures covered by IRB. The development in the distributions at 30 September 2010, 31 December 2010 and 30 September 2011 appears below.

**Gross exposures by rating category**



Gross exposures consist of loans and advances, undrawn credit commitments, interest receivable, guarantees and counterparty risk on derivatives. The graph comprises exposures treated according to IRB. Exposures relating to clients in default are not included in the breakdown. Impairment charges for exposures have not been deducted from the exposures.

The transition to IRB of exposures relating to corporate and retail clients in Germany took place in Q2 2011. As a result more than 98% of these exposures are covered by IRB.

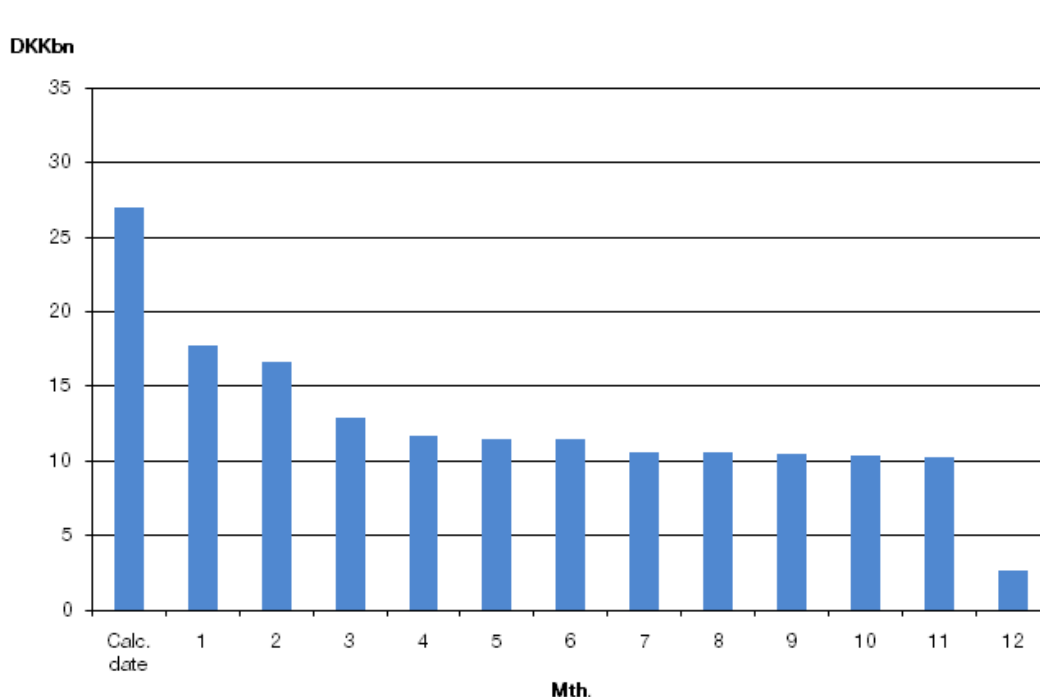
The Group's solvency ratio stands at 15.7%, of which 14.7 percentage points are ascribable to core capital, compared with 15.4% and 14.3 percentage points, respectively, at end-2010. The core capital ratio excluding hybrid core capital is 13.0% compared with 12.7% at the beginning of the year.

At 30 September 2011 the individual solvency need remained unchanged at 9.6%.

## Liquidity

Measured under the 10% statutory requirements of section 152 of the Danish Financial Business Act, the Group's liquidity constitutes 36.9% as at 30 September 2011.

The run-off profile as of 30 September 2011 expressed by the so-called "Moody's chart" is shown below:



As shown in the "Moody's chart" the Group's liquidity will fall considerably in 12 months but will remain positive. The decline can be ascribed to the repayment of an existing senior loan of EUR 1bn.

The Group's liquidity is comfortable.

As of 1 October 2011 Danmarks Nationalbank has expanded the collateral basis to include good quality lending in DKK and EUR to Danish clients, which secures Danish credit institutions sizeable liquidity facilities.

The Group does not expect to make use of the facility and therefore it has deliberately chosen neither to include the facility in the Group's liquidity under section 152 nor in the "Moody's chart". The Group will however include the possible credit facility in the Group's strategic contingency resources.

Since the month of May the Group has been contemplating issuing a senior loan, partly to replace previous repayment in 2011 and partly to replace the above-mentioned existing senior loan. During the period it has not been possible to make such an issue on satisfactory terms due to the market conditions and the Group is therefore still awaiting a normalisation of the loan markets.

On the basis of the Group's comfortable liquidity – compared with slightly falling loans and advances and rising deposits, the Bank has decided to adopt a wait and see approach.

## Ratings

On 19 May 2011 Moody's assigned the following ratings to Sydbank:

- Long-term debt: A2 (stable outlook)
- Short-term debt: P-1
- Individual financial strength: C (stable outlook)

## Clients

In Q1-Q3 Sydbank saw a satisfactory influx of retail clients as well as corporate clients and the foundation for future earnings has been enhanced.

## Regulation

In July 2011 the European Commission published its proposal for a revision of the Capital Requirements Directives (CRD IV). The main purpose of the proposal is to implement the Basel III rules in the EU. The draft directive must now be considered by the European Parliament and the Council of Ministers. The final directive will be adopted in 2012. The general rules will come into force in early 2013, but decisions on detailed rules regarding liquidity, for example, will be made subsequently, and transitional rules on capital requirements will apply for a number of years.

The proposal does not appear to significantly change the capital requirements introduced by the Basel III rules as described in the 2010 Annual Report. The Group estimates that its core capital ratio (excl hybrid core capital) of currently 13.0% will be impacted only marginally when the Directive has been fully phased in. The Group thus already complies with the future minimum capital requirements.

However as regards liquidity the proposal differs from Basel III in that Danish mortgage bonds can be included to a greater extent.

## Outlook for 2011

The Group projects core earnings before impairment charges for loans and advances in the region of DKK 1,700-1,850m in 2011, which is a narrowing and clarification compared with the previous announcement of DKK 1.7-2.0bn. The narrowing is solely ascribable to the lower trading income and the uncertainty associated therewith for the remainder of the year.

## Income Statement – the Group

DKKm	Note	Q1-Q3 2011	Q1-Q3 2010	Q3 2011	Q3 2010
Interest income	2	3,216	3,156	1,147	1,007
Interest expense	3	914	706	353	222
<b>Net interest income</b>		<b>2,302</b>	<b>2,450</b>	<b>794</b>	<b>785</b>
Dividends on shares		21	20	3	3
Fee and commission income	4	986	996	306	329
Fee and commission expense		158	137	51	44
<b>Net interest and fee income</b>		<b>3,151</b>	<b>3,329</b>	<b>1,052</b>	<b>1,073</b>
Market value adjustments	5	(39)	435	(78)	190
Other operating income		15	17	4	7
Staff costs and administrative expenses	6	1,915	1,806	646	566
Depreciation and impairment of property, plant and equipment		60	71	22	24
Other operating expenses		131	227	(26)	70
Impairment of loans and advances etc	8	740	1,101	245	364
Profit on holdings in associates and subsidiaries	9	(75)	5	(66)	1
Profit on assets temporarily acquired		0	0	0	0
<b>Profit before tax</b>		<b>206</b>	<b>581</b>	<b>25</b>	<b>247</b>
Tax	10	70	145	25	62
<b>Profit for the period</b>		<b>136</b>	<b>436</b>	<b>0</b>	<b>185</b>
EPS Basic (DKK) *		1.9	5.9	0.0	2.5
EPS Diluted (DKK) *		1.9	5.9	0.0	2.5
Dividend per share (DKK)		-	-	-	-

\* Based on average number of shares outstanding, see page 16.

## Statement of Comprehensive Income – the Group

<b>Profit for the period</b>	<b>136</b>	<b>436</b>	<b>0</b>	<b>185</b>
<b>Other comprehensive income</b>				
Translation of foreign entities	6	25	(3)	0
Hedge of net investment in foreign entities	(6)	(25)	3	0
<b>Other comprehensive income after tax</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Comprehensive income after tax</b>	<b>136</b>	<b>436</b>	<b>0</b>	<b>185</b>

## Balance Sheet – the Group

DKKm	Note	30 Sep 2011	31 Dec 2010	30 Sep 2010
<b>Assets</b>				
Cash and balances on demand at central banks		774	855	713
Amounts owed by credit institutions and central banks	11	5,851	7,527	10,879
Loans and advances at fair value		6,381	10,724	6,524
Loans and advances at amortised cost		70,024	73,028	73,597
Bonds at fair value		33,252	35,021	35,254
Shares etc		1,245	1,894	1,755
Holdings in associates etc		194	307	310
Assets related to pooled plans		7,972	7,923	7,576
Intangible assets		12	13	13
Total land and buildings		1,038	1,045	1,045
investment property		-	-	2
owner-occupied property		1,038	1,045	1,043
Other property, plant and equipment		87	105	109
Current tax assets		62	82	36
Deferred tax assets		7	11	11
Assets held for sale		1	1	-
Other assets	12	16,908	12,256	15,779
Prepayments		58	51	58
<b>Total assets</b>		<b>143,866</b>	<b>150,843</b>	<b>153,659</b>
<b>Shareholders' equity and liabilities</b>				
Amounts owed to credit institutions and central banks	13	32,021	40,250	37,372
Deposits and other debt	14	64,994	64,161	61,519
Deposits in pooled plans		7,976	7,923	7,576
Bonds issued at amortised cost		7,507	11,242	16,080
Current tax liabilities		7	8	61
Other liabilities	15	19,217	15,084	17,742
Deferred income		3	11	3
<b>Total liabilities</b>		<b>131,725</b>	<b>138,679</b>	<b>140,353</b>
Provisions	16	268	281	643
Subordinated capital	17	2,327	2,329	3,129
Shareholders' equity:				
Share capital		742	742	742
Revaluation reserves		110	110	112
Other reserves:				
Reserves according to articles of association		423	423	418
Other reserves		26	26	33
Retained earnings		8,245	8,169	8,229
Proposed dividend etc		-	84	-
<b>Total shareholders' equity</b>		<b>9,546</b>	<b>9,554</b>	<b>9,534</b>
<b>Total shareholders' equity and liabilities</b>		<b>143,866</b>	<b>150,843</b>	<b>153,659</b>

## Group Financial Highlights – Quarterly

	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010
<b>Income statement (DKKm)</b>							
Core income excl trading income	852	789	799	812	832	831	829
Trading income	164	235	299	239	325	327	399
<b>Total core income</b>	<b>1,016</b>	<b>1,024</b>	<b>1,098</b>	<b>1,051</b>	<b>1,157</b>	<b>1,158</b>	<b>1,228</b>
Costs, core earnings	587	653	650	610	588	625	656
<b>Core earnings before impairment</b>	<b>429</b>	<b>371</b>	<b>448</b>	<b>441</b>	<b>569</b>	<b>533</b>	<b>572</b>
Impairment of loans and advances etc	245	240	250	456	311	310	323
<b>Core earnings</b>	<b>184</b>	<b>131</b>	<b>198</b>	<b>(15)</b>	<b>258</b>	<b>223</b>	<b>249</b>
Profit/(Loss) on investment portfolios	(38)	(62)	75	(8)	111	8	116
<b>Profit before non-recurring items</b>	<b>146</b>	<b>69</b>	<b>273</b>	<b>(23)</b>	<b>369</b>	<b>231</b>	<b>365</b>
Non-recurring items	(146)	-	-	-	-	-	-
<b>Profit before contributions to deposit guarantee and PCA</b>	<b>0</b>	<b>69</b>	<b>273</b>	<b>(23)</b>	<b>369</b>	<b>231</b>	<b>365</b>
Deposit guarantee and contribution to the Private Contingency Association (PCA)	(25)	63	98	-	123	122	139
<b>Profit before tax</b>	<b>25</b>	<b>6</b>	<b>175</b>	<b>(23)</b>	<b>246</b>	<b>109</b>	<b>226</b>
Tax	25	1	44	2	61	27	57
<b>Profit for the period</b>	<b>0</b>	<b>5</b>	<b>131</b>	<b>(25)</b>	<b>185</b>	<b>82</b>	<b>169</b>
<b>Balance sheet highlights (DKKbn)</b>							
Loans and advances at amortised cost	70.0	71.9	71.4	73.0	73.6	74.1	73.3
Loans and advances at fair value	6.4	12.0	9.3	10.7	6.5	6.6	7.4
Deposits and other debt	65.0	67.4	64.6	64.2	61.5	64.9	62.2
Bonds issued at amortised cost	7.5	7.5	11.2	11.2	16.1	8.6	8.6
Subordinated capital	2.3	2.3	2.3	2.3	3.1	3.1	3.1
Shareholders' equity	9.5	9.5	9.6	9.6	9.5	9.4	9.3
Total assets	143.9	145.7	140.6	150.8	153.7	154.4	149.0
<b>Financial ratios per share (DKK per share of DKK 10)</b>							
EPS Basic **	0.0	0.1	1.8	(0.3)	2.5	1.1	2.3
EPS Diluted **	0.0	0.1	1.8	1.1	2.5	1.1	2.3
Share price at end of period	99.0	114.8	132.8	151.3	127.4	124.8	147.8
Book value	130.5	128.6	130.5	129.8	130.1	127.5	126.5
Share price/book value	0.76	0.89	1.02	1.17	0.98	0.98	1.17
Average number of shares outstanding (millions)	73.1	73.4	73.5	73.5	73.4	73.7	73.7
Dividend per share	-	-	-	1.0	-	-	-
<b>Other financial ratios and key figures</b>							
Solvency ratio	15.7	15.1	15.4	15.4	16.1	15.7	15.3
Core capital ratio	14.7	14.1	14.4	14.3	14.1	13.5	13.1
Pre-tax profit as % of average shareholders' equity **	0.3	0.1	1.8	(0.2)	2.6	1.2	2.4
Post-tax profit as % of average shareholders' equity **	0.0	0.1	1.4	(0.3)	2.0	0.9	1.8
Costs (core earnings) as % of core income	57.8	63.8	59.2	58.0	50.9	54.0	53.4
Interest rate risk	0.7	0.9	1.1	1.5	0.4	0.2	1.0
Foreign exchange position	1.8	2.7	4.5	1.2	1.4	1.5	2.8
Foreign exchange risk	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Loans and advances relative to deposits *	1.0	1.0	1.0	1.0	1.1	1.0	1.1
Loans and advances relative to shareholders' equity *	7.3	7.5	7.5	7.6	7.7	7.9	7.9
Growth in loans and advances for the period *	(2.6)	0.6	(2.2)	(0.8)	(0.7)	1.1	(1.7)
Excess cover relative to statutory liquidity requirements	115.3	99.5	110.3	106.3	126.3	96.8	121.1
Total large exposures	24.2	34.6	23.9	54.4	19.6	0.0	13.6
Accumulated impairment ratio excl PCA **	2.1	2.0	2.2	2.0	2.4	2.1	2.1
Impairment ratio for the period excl PCA **	0.31	0.28	0.30	0.40	0.38	0.38	0.39
Number of full-time staff at end of period	2,270	2,274	2,285	2,284	2,303	2,323	2,344

Financial ratios are prepared according to "Recommendations & Financial Ratios 2010" published by the Danish Society of Financial Analysts. \* Financial ratios calculated on the basis of loans and advances at amortised cost.

\*\* Quarterly ratios have not been converted to a full-year basis.

## Capital – the Group

DKKkm	Share capital	Revaluation reserves	Reserves acc to articles of association	Reserve for net revaluation acc to equity method	Retained earnings	Proposed dividend etc	Total
Shareholders' equity at 1 Jan 2011	742	110	423	26	8,169	84	9,554
<b>Changes in equity in 2011</b>							
Purchase of own shares	-	-	-	-	(1,894)	-	(1,894)
Sale of own shares	-	-	-	-	1,830	-	1,830
Adopted dividend etc	-	-	-	-	-	(84)	(84)
Dividends, own shares	-	-	-	-	4	-	4
Comprehensive income for the period	-	-	-	-	136	-	136
Total changes in equity	-	-	-	-	76	(84)	(8)
<b>Shareholders' equity at 30 Sep 2011</b>	<b>742</b>	<b>110</b>	<b>423</b>	<b>26</b>	<b>8,245</b>	<b>0</b>	<b>9,546</b>
Shareholders' equity at 1 Jan 2010	742	112	418	33	7,813	-	9,118
<b>Changes in equity in 2010</b>							
Purchase of own shares	-	-	-	-	(1,757)	-	(1,757)
Sale of own shares	-	-	-	-	1,737	-	1,737
Comprehensive income for the period	-	-	-	-	436	-	436
Total changes in equity	-	-	-	-	416	-	416
<b>Shareholders' equity at 30 Sep 2010</b>	<b>742</b>	<b>112</b>	<b>418</b>	<b>33</b>	<b>8,229</b>	<b>0</b>	<b>9,534</b>
The Sydbank share					30 Sep 2011	Full year 2010	30 Sep 2010
Share capital (DKK)					742,499,990	742,499,990	742,499,990
Shares issued (number)					74,249,999	74,249,999	74,249,999
Shares outstanding at end of period (number)					73,151,190	73,588,089	73,276,673
Average number of shares outstanding (number)					73,334,278	73,522,284	73,571,386



## Capital – the Group

DKKm	30 Sep 2011	31 Dec 2010	30 Sep 2010
<b>Solvency</b>			
Solvency ratio	15.7	15.4	16.1
Core capital ratio	14.7	14.3	14.1
<b>Capital base after deductions</b>			
Shareholders' equity	9,546	9,554	9,534
Revaluation reserves	(109)	(110)	(112)
Proposed dividend	-	(84)	-
Intangible assets and capitalised tax assets	(19)	(24)	(25)
<b>Core capital (excluding hybrid core capital)</b>	<b>9,418</b>	<b>9,336</b>	<b>9,397</b>
Hybrid core capital	1,382	1,384	1,384
50% of holdings in associates	(4)	-	-
50% of holdings > 10%	(156)	(161)	(155)
<b>Core capital (including hybrid core capital) after deductions</b>	<b>10,640</b>	<b>10,559</b>	<b>10,626</b>
Subordinated loan capital	794	945	1,746
Revaluation reserves	109	110	112
<b>Capital base before deductions</b>	<b>11,543</b>	<b>11,614</b>	<b>12,484</b>
50% of holdings in associates	(4)	-	-
50% of holdings > 10%	(156)	(161)	(155)
Holdings in associates	-	(124)	(126)
<b>Capital base after deductions</b>	<b>11,383</b>	<b>11,329</b>	<b>12,203</b>
Credit risk	55,160	58,040	60,850
Market risk	9,108	8,298	7,336
Operational risk	8,071	7,378	7,378
<b>Risk-weighted assets</b>	<b>72,339</b>	<b>73,716</b>	<b>75,564</b>
<b>Capital requirement under Pillar I</b>	<b>5,787</b>	<b>5,897</b>	<b>7,254</b>

## Cash Flow Statement – the Group

DKKm	Q1-Q3 2011	Full year 2010	Q1-Q3 2010
<b>Operating activities</b>			
Pre-tax profit for the period	206	558	581
Taxes paid	(46)	(187)	(80)
Adjustment of non-cash operating items	861	1,519	1,331
Cash flows from working capital	2,699	(8,344)	(13,058)
Cash flows from operating activities	3,720	(6,454)	(11,226)
<b>Investing activities</b>			
Purchase and sale of holdings in associates	42	(4)	4
Purchase and sale of property, plant and equipment	(33)	(119)	(39)
Cash flows from investing activities	9	(123)	(35)
<b>Financing activities</b>			
Purchase and sale of own holdings	(56)	26	(20)
Dividend etc	(84)	-	-
Raising of subordinated capital	(3)	(795)	5
Issue of bonds	(3,735)	2,620	7,458
Cash flows from financing activities	(3,878)	1,851	7,443
<b>Cash flows for the period</b>	<b>(149)</b>	<b>(4,726)</b>	<b>(3,818)</b>
Cash equivalent positions at 1 Jan	2,695	7,421	7,421
Cash flows for the period	(149)	(4,726)	(3,818)
<b>Total cash equivalent positions at end of period</b>	<b>2,546</b>	<b>2,695</b>	<b>3,603</b>

## Segment Statements – the Group

DKKkM	Sydbank				Total
	Banking	Markets	Treasury	Other	
<b>Business segments Q1-Q3 2011:</b>					
Core income excl trading income	2,424	16	-	-	2,440
Trading income	555	143	-	-	698
<b>Core income</b>	<b>2,979</b>	<b>159</b>	<b>0</b>	<b>0</b>	<b>3,138</b>
Costs, core earnings	1,622	226	8	42	1,898
<b>Core earnings before impairment</b>	<b>1,357</b>	<b>(67)</b>	<b>(8)</b>	<b>(42)</b>	<b>1,240</b>
Impairment of loans and advances etc	736	(1)	0	0	735
<b>Core earnings</b>	<b>621</b>	<b>(66)</b>	<b>(8)</b>	<b>(42)</b>	<b>505</b>
Investment portfolio income	-	-	(27)	10	(17)
<b>Profit before non-recurring items</b>	<b>621</b>	<b>(66)</b>	<b>(35)</b>	<b>(32)</b>	<b>488</b>
Non-recurring items	-	-	-	(146)	(146)
<b>Profit before contributions to deposit guarantee and PCA</b>	<b>621</b>	<b>(66)</b>	<b>(35)</b>	<b>(178)</b>	<b>342</b>
Contributions to deposit guarantee and the Private Contingency Association (PCA)	-	-	-	136	136
<b>Profit before tax</b>	<b>621</b>	<b>(66)</b>	<b>(35)</b>	<b>(314)</b>	<b>206</b>

DKKkM	Sydbank				Total
	Banking	Markets	Treasury	Other	
<b>Business segments Q1-Q3 2010:</b>					
Core income excl trading income	2,509	(19)	-	2	2,492
Trading income	587	464	-	-	1,051
<b>Core income</b>	<b>3,096</b>	<b>445</b>	<b>0</b>	<b>2</b>	<b>3,543</b>
Costs, core earnings	1,598	224	8	47	1,877
<b>Core earnings before impairment</b>	<b>1,498</b>	<b>221</b>	<b>(8)</b>	<b>(45)</b>	<b>1,666</b>
Impairment of loans and advances etc	945	(1)	0	0	944
<b>Core earnings</b>	<b>553</b>	<b>222</b>	<b>(8)</b>	<b>(45)</b>	<b>722</b>
Investment portfolio income	-	-	233	10	243
<b>Profit before non-recurring items</b>	<b>553</b>	<b>222</b>	<b>225</b>	<b>(35)</b>	<b>965</b>
Non-recurring items	-	-	-	-	0
<b>Profit before contributions to deposit guarantee and PCA</b>	<b>553</b>	<b>222</b>	<b>225</b>	<b>(35)</b>	<b>965</b>
Contributions to deposit guarantee and the Private Contingency Association (PCA)	-	-	-	384	384
<b>Profit before tax</b>	<b>553</b>	<b>222</b>	<b>225</b>	<b>(419)</b>	<b>581</b>

## Notes – the Group

---

---

### Note 1

#### Accounting policies

The Interim Report has been prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by the EU and in compliance with additional Danish disclosure requirements for interim reports. As a result of the use of IAS 34, the presentation is less complete compared with the presentation of an annual report and the measurement principles are in compliance with IFRS.

The accounting policies are consistent with those adopted in the 2010 Annual Report, to which reference is made.

The 2010 Annual Report provides a comprehensive description of the accounting policies applied.

The measurement of certain assets and liabilities requires managerial estimates as to how future events will affect the value of such assets and liabilities. The significant estimates made by the management in the use of the Group’s accounting policies and the inherent considerable uncertainty of such estimates used in the preparation of the condensed interim report are identical to those used in the preparation of the annual report as at 31 December 2010.

The Group’s significant risks and the external elements which may affect the Group are described in detail in the 2010 Annual Report.

## Notes – the Group

DKKm	Q1-Q3 2011	Q1-Q3 2010	Q3 2011	Q3 2010
<b>Note 2</b>				
<b>Interest income</b>				
Reverse transactions with credit institutions and central banks	20	18	10	4
Amounts owed by credit institutions and central banks	65	70	23	27
Reverse loans and advances	70	62	28	17
Loans and advances and other amounts owed	2,409	2,372	857	787
Bonds	612	565	214	159
Derivatives	37	55	14	10
Other interest income	3	14	1	3
<b>Total</b>	<b>3,216</b>	<b>3,156</b>	<b>1,147</b>	<b>1,007</b>

### Note 3

<b>Interest expense</b>				
Repo transactions with credit institutions and central banks	103	77	46	15
Credit institutions and central banks	144	145	56	49
Repo deposits	2	1	2	0
Deposits and other debt	466	366	182	110
Bonds issued	151	69	49	32
Subordinated capital	46	47	17	16
Other interest expense	2	1	1	0
<b>Total</b>	<b>914</b>	<b>706</b>	<b>353</b>	<b>222</b>

### Note 4

<b>Fee and commission income</b>				
Securities trading and custody accounts	558	555	165	186
Payment services	162	146	55	51
Loan fees	61	73	21	27
Guarantee commission	81	89	25	28
Other fees and commission	124	133	40	37
<b>Total</b>	<b>986</b>	<b>996</b>	<b>306</b>	<b>329</b>

### Note 5

<b>Market value adjustments</b>				
Other loans and advances and amounts owed at fair value	2	(1)	1	(2)
Bonds	291	480	354	129
Shares etc	(142)	51	(65)	132
Currency	152	196	61	63
Total derivatives	(345)	(291)	(432)	(132)
Assets related to pooled plans	(385)	386	(209)	118
Deposits in pooled plans	388	(386)	212	(118)
Other assets/liabilities	0	0	0	0
<b>Total</b>	<b>(39)</b>	<b>435</b>	<b>(78)</b>	<b>190</b>

## Notes – the Group

	Q1-Q3 2011	Q1-Q3 2010	Q3 2011	Q3 2010
DKKm				

### Note 6

#### Staff costs and administrative expenses

Salaries and emoluments to:

Executive Management:

Wages	9	11	2	2
Severance pay etc	6	8	6	-
Board of Directors	3	3	1	1
Shareholders' Committee	2	1	1	1
<b>Total</b>	<b>20</b>	<b>23</b>	<b>10</b>	<b>4</b>

Staff costs:

Wages and salaries	936	869	316	271
Pensions	107	97	40	32
Social security contributions	10	3	4	0
Payroll tax etc	100	86	34	27
<b>Total</b>	<b>1,153</b>	<b>1,055</b>	<b>394</b>	<b>330</b>

Other administrative expenses:

IT	384	374	130	116
Rent etc	104	104	29	38
Marketing and entertainment expenses	61	57	21	17
Other expenses	193	193	62	61
<b>Total</b>	<b>742</b>	<b>728</b>	<b>242</b>	<b>232</b>

<b>Total</b>	<b>1,915</b>	<b>1,806</b>	<b>646</b>	<b>566</b>
--------------	--------------	--------------	------------	------------

### Note 7

#### Staff

Average number of staff (full-time equivalent)	2,322	2,374	2,321	2,358
--	-------	-------	-------	-------

Notes – the Group

DKKm	Q1-Q3 2011	Q1-Q3 2010	Q3 2011	Q3 2010
<b>Note 8</b>				
<b>Impairment of loans and advances recognised in the income statement</b>				
Impairment and provisions	369	882	14	331
Write-offs	403	241	238	40
Recovered from debt previously written off	32	22	7	7
<b>Impairment of loans and advances etc</b>	<b>740</b>	<b>1,101</b>	<b>245</b>	<b>364</b>
<b>Impairment and provisions at end of period</b>				
Individual impairment and provisions	1,428	2,219	1,428	2,219
Collective impairment and provisions	172	153	172	153
<b>Impairment and provisions at end of period</b>	<b>1,600</b>	<b>2,372</b>	<b>1,600</b>	<b>2,372</b>
<b>Individual impairment of loans and advances and provisions for guarantees</b>				
Impairment and provisions at 1 Jan	1,597	1,637	1,537	1,955
Exchange rate adjustment	0	4	0	0
Impairment and provisions during the period	382	885	19	320
Other movements	0	94	0	0
Write-offs covered by impairment and provisions	551	401	128	56
<b>Impairment and provisions at end of period</b>	<b>1,428</b>	<b>2,219</b>	<b>1,428</b>	<b>2,219</b>
Individual impairment of loans and advances	1,405	1,813	1,405	1,813
Individual provisions for guarantees	23	406	23	406
<b>Impairment and provisions at end of period</b>	<b>1,428</b>	<b>2,219</b>	<b>1,428</b>	<b>2,219</b>
Sum of loans and advances and amounts owed subject to collective impairment and provisions	11,973	18,291	11,973	18,291
Collective impairment and provisions	172	153	172	153
<b>Loans and advances and amounts owed after collective impairment and provisions</b>	<b>12,145</b>	<b>18,444</b>	<b>12,145</b>	<b>18,444</b>
<b>Collective impairment of loans and advances and provisions for guarantees</b>				
Impairment and provisions at 1 Jan	166	141	166	137
Impairment and provisions during the period	6	12	6	16
<b>Impairment and provisions at end of period</b>	<b>172</b>	<b>153</b>	<b>172</b>	<b>153</b>
<b>Individual impairment of loans and advances subject to objective evidence of impairment</b>				
Balance before impairment of individually assessed loans and advances	2,611	3,634	2,611	3,634
Impairment of individually assessed loans and advances	1,405	1,813	1,405	1,813
<b>Balance after impairment of individually assessed loans and advances</b>	<b>1,206</b>	<b>1,821</b>	<b>1,206</b>	<b>1,821</b>

## Notes – the Group

	Q1-Q3 2011	Q1-Q3 2010	Q3 2011	Q3 2010
DKKkM				

### Note 9

#### Profit on holdings in associates and subsidiaries

Profit on holdings in associates etc	(75)	5	(66)	1
<b>Total</b>	<b>(75)</b>	<b>5</b>	<b>(66)</b>	<b>1</b>

### Note 10

#### Effective tax rate

Current tax rate of Sydbank	25.0	25.0	25.0	25.0
Permanent differences	11.2	-	91.9	-
Adjustment of prior year tax charges	(2.2)	-	(17.3)	-
<b>Effective tax rate</b>	<b>34.0</b>	<b>25.0</b>	<b>99.6</b>	<b>25.0</b>

	30 Sep 2011	31 Dec 2010	30 Sep 2010
DKKkM			

### Note 11

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

Amounts owed at notice by central banks	43	215	900
Amounts owed by credit institutions	2,650	5,063	6,843
Reverse transactions	3,158	2,249	3,136
<b>Total</b>	<b>5,851</b>	<b>7,527</b>	<b>10,879</b>

### Note 12

#### Other assets

Positive market value of derivatives etc	13,698	9,363	13,121
Sundry debtors	311	263	324
Interest and commission receivable	532	563	443
Cash collateral provided, CSA agreements	2,364	2,066	1,890
Other assets	3	1	1
<b>Total</b>	<b>16,908</b>	<b>12,256</b>	<b>15,779</b>

### Note 13

#### Amounts owed to credit institutions and central banks

Amounts owed to central banks	674	2,700	543
Amounts owed to credit institutions	19,214	18,864	19,035
Repo transactions	12,133	18,686	17,794
<b>Total</b>	<b>32,021</b>	<b>40,250</b>	<b>37,372</b>



## Notes – the Group

	30 Sep 2011	31 Dec 2010	30 Sep 2010
DKKm			

### Note 14

#### Deposits and other debt

On demand	39,479	38,357	39,268
At notice	534	603	647
Time deposits	19,844	19,923	16,257
Special categories of deposits	5,137	5,278	5,347
<b>Total</b>	<b>64,994</b>	<b>64,161</b>	<b>61,519</b>

### Note 15

#### Other liabilities

Negative market value of derivatives etc	13,980	9,138	12,708
Sundry creditors	854	1,886	3,193
Negative portfolio, reverse transactions	3,598	3,437	1,208
Interest and commission etc	266	97	211
Cash collateral received, CSA agreements	513	520	419
Other liabilities	6	6	3
<b>Total</b>	<b>19,217</b>	<b>15,084</b>	<b>17,742</b>

### Note 16

#### Provisions

Provisions for pensions and similar obligations	3	4	3
Provisions for deferred tax	224	225	208
Provisions for guarantees *	20	32	406
Other provisions	21	20	26
<b>Total</b>	<b>268</b>	<b>281</b>	<b>643</b>

\* Of which the Private Contingency Association

- - 377

## Notes – the Group

	30 Sep	31 Dec	30 Sep
DKKm	2011	2010	2010

### Note 17

#### Subordinated capital

Interest rate		Nominal (m)	Maturity			
Repaid loans				-	-	801
2.80 (floating)	Bond loan	DKK 200	14.11.14	200	200	200
1.90 (floating)	Bond loan	EUR 100	04.04.15	745	745	745
<b>Total supplementary capital</b>				<b>945</b>	<b>945</b>	<b>1,746</b>
2.71 (floating)	Bond loan	EUR 100	Perpetual	739	740	739
3.64 (floating)	Bond loan	EUR 75	Perpetual	558	559	559
6.36 (fixed)	Bond loan	DKK 85	Perpetual	85	85	85
<b>Total hybrid core capital</b>				<b>1,382</b>	<b>1,384</b>	<b>1,383</b>
<b>Total</b>				<b>2,327</b>	<b>2,329</b>	<b>3,129</b>

	30 Sep	31 Dec	30 Sep
DKKm	2011	2010	2010

### Note 18

#### Contingent liabilities and other obligating agreements

##### Contingent liabilities

Financial guarantees	2,659	3,037	1,859
Mortgage finance guarantees	1,100	1,628	2,615
Registration and remortgaging guarantees	2,316	3,643	5,002
Loss guarantee/guarantee, the Private Contingency Association	-	-	374
Other contingent liabilities	1,205	1,443	1,354
<b>Total</b>	<b>7,280</b>	<b>9,751</b>	<b>11,204</b>

##### Other obligating agreements

Irrevocable credit commitments	559	99	6
Other liabilities	51	51	55
<b>Total</b>	<b>610</b>	<b>150</b>	<b>61</b>

## Notes – the Group

### Note 18 – continued

In February 2008 a group of minority shareholders (“Foreningen af Minoritetsaktionærer i bankTrelleborg”) filed a class action against Fonden for bankTrelleborg, Sydbank and the Danish FSA. The lawsuit concerns the legality of the compulsory redemption (section 144 of the Danish Financial Business Act) and the pricing of the shares in connection with the compulsory redemption. The shares were subsequently priced by appraisers in accordance with section 144 (6) of the Danish Financial Business Act. In late summer 2008 Fonden for bankTrelleborg paid the difference to the minority shareholders. On 7 December 2010 the Eastern High Court ruled that the compulsory redemption was not legal as the conditions of section 144 of the Danish Financial Business Act had not been met. However the Eastern High Court did not find that the minority shareholders had suffered a loss exceeding the consideration they had already received in connection with the compulsory redemption. Consequently the court did not sustain the claim of the minority shareholders for payment of additional consideration as regards the shares. The minority shareholders have filed an appeal with the Supreme Court and have at the same time applied for free legal aid which has been granted only partially.

Moreover, in 2009 the group of minority shareholders – by three named shareholders – filed an action against bankTrelleborg, now Sydbank A/S, regarding an inadequate prospectus in connection with the conversion of sparTrelleborg to bankTrelleborg. Exchange of pleadings is still ongoing but oral proceedings have been scheduled for end-February 2012.

On 21 January 2011 two class action claims were filed with the City Court of Copenhagen against Sydbank A/S. Both claims concern a potential responsibility over a prospectus regarding bankTrelleborg, now Sydbank A/S, in connection with the conversion of sparTrelleborg to bankTrelleborg in Q2 2007.

In addition, the Group is party to a number of legal actions. These actions are under continuous review and the necessary provisions made are based on an assessment of the risk of loss. Pending legal actions are not expected to have any significant impact on the financial position of the Group.

### Note 19

#### Repo and reverse transactions

In connection with repo transactions, which involve selling securities to be repurchased at a later date, the securities remain on the balance sheet, and consideration received is recognised as a debt. Repo transaction securities are treated as assets provided as collateral for liabilities.

At 30 September 2011, the fair value of such securities stood at DKK 12,132m.

In connection with reverse transactions, which involve purchasing securities to be resold at a later date, the Group is entitled to sell or deposit them as collateral for other loans. The securities are not recognised in the balance sheet and consideration paid is recognised as a receivable.

At 30 September 2011, the fair value of such securities stood at DKK 9,462m.

Assets received as collateral in connection with reverse transactions may be sold to a third party. In such cases a negative portfolio may arise as a result of the accounting rules. This is recognised under “Other liabilities”.

### Note 20

#### Collateral

As of 30 September 2011 the Group had deposited as collateral securities at a market value of DKK 620m with Danish and foreign exchanges and clearing centres etc in connection with margin calls and securities settlements etc.

### Note 21

#### Related parties

Sydbank is the bank of a number of related parties. Transactions with related parties are settled on an arm’s length basis.

No unusual transactions took place with related parties in Q1-Q3 2011. Reference is made to the Group’s 2010 Annual Report for a detailed description of related party transactions.

## Notes – the Group

### Note 22

#### Reporting events occurring after the balance sheet date

The Bank's contribution in connection with the takeover by the Financial Stability Company of Max Bank in October 2011 was charged to expense in Q3 2011.

After the expiry of Q3 no matters of significant impact on the financial position of the Sydbank Group have occurred except for the above.

### Note 23

#### Large shareholders

Two shareholders have announced that they own at least 5% of Sydbank's share capital:

Nykredit A/S, Copenhagen  
Silchester International Investors LLP.

DKKm	Q1-Q3 2011	Q1-Q3 2010	Index 11/10	Full year 2010
------	---------------	---------------	----------------	-------------------

### Note 24

#### Core income

#### Core income excl trading income

Interest margins etc	2,063	2,073	100	2,757
Mortgage credit	131	165	79	210
Payment services	115	113	102	153
Remortgaging and loan fees	62	70	89	90
Other commission	54	54	100	71
Other operating income	15	17	88	23
<b>Total</b>	<b>2,440</b>	<b>2,492</b>	<b>98</b>	<b>3,304</b>

#### Mortgage credit

Totalkredit cooperation	123	139	88	184
Totalkredit, set-off of loss	18	10	180	17
Totalkredit cooperation, net	105	129	81	167
DLR Kredit	22	29	76	34
Other mortgage credit income	4	7	57	9
<b>Total</b>	<b>131</b>	<b>165</b>	<b>79</b>	<b>210</b>

#### Trading income

Bonds	119	257	46	273
Shares	143	211	68	273
Currency	149	169	88	217
Money market	(33)	104	-	107
Asset management	320	310	103	420
<b>Total</b>	<b>698</b>	<b>1,051</b>	<b>66</b>	<b>1,290</b>

## Notes – the Group

	Q3	Q2	Q1	Q4	Q3	Q2	Q1
DKKm	2011	2011	2011	2010	2010	2010	2010

### Note 24 – continued

#### Core income

##### Core income excl trading income

Interest margins etc	730	665	668	684	692	689	692
Mortgage credit	44	44	43	45	55	61	49
Payment services	40	38	37	40	40	33	40
Remortgaging and loan fees	21	20	21	20	26	21	23
Other commission	13	16	25	17	12	22	20
Other operating income	4	6	5	6	7	5	5
<b>Total</b>	<b>852</b>	<b>789</b>	<b>799</b>	<b>812</b>	<b>832</b>	<b>831</b>	<b>829</b>

##### Mortgage credit

Totalcredit cooperation	43	41	39	45	49	47	43
Totalcredit, set-off of loss	7	8	3	7	6	3	1
Totalcredit cooperation, net	36	33	36	38	43	44	42
DLR Kredit	7	9	6	5	10	15	4
Other mortgage credit income	1	2	1	2	2	2	3
<b>Total</b>	<b>44</b>	<b>44</b>	<b>43</b>	<b>45</b>	<b>55</b>	<b>61</b>	<b>49</b>

##### Trading income

Bonds	36	29	54	16	77	73	107
Shares	34	43	66	62	64	66	81
Currency	57	42	50	48	48	65	56
Money market	(55)	6	16	3	31	23	50
Asset management	92	115	113	110	105	100	105
<b>Total</b>	<b>164</b>	<b>235</b>	<b>299</b>	<b>239</b>	<b>325</b>	<b>327</b>	<b>399</b>

## Management Statement

Today we have considered and approved the Interim Report – Q1-Q3 2011 of Sydbank A/S.

The Interim Report – Q1-Q3 2011 has been prepared in accordance with IAS 34 as adopted by the EU. Furthermore, the interim report has been prepared in compliance with additional Danish disclosure requirements for interim reports of listed financial companies. The interim report has not been audited or reviewed.

In our opinion the accounting policies applied are appropriate and the interim report gives a true and fair view of the Group's assets, shareholders' equity and liabilities and financial position at 30 September 2011 and of the results of the Group's operations and consolidated cash flows for the accounting period 1 January-30 September 2011 as well as a description of the most significant risks and elements of uncertainty which may affect the Group.

Aabenraa, 25 October 2011

### Group Executive Management

Karen Frøsig (CEO)	Preben L. Hansen
-----------------------	------------------

### Board of Directors

Anders Thoustrup (Chairman)	Hanni Toosbuy Kasprzak (Vice-Chairman)	Svend Erik Busk
Claus Christensen	Peder Damgaard	Harry Max Friedrichsen
Erik Bank Lauridsen	Sven Rosenmeyer Paulsen	Steen Tophøj
Jan Uldahl-Jensen	Margrethe Weber	

## Supplementary Information

### Financial calendar

In 2012 the Group's preliminary announcement of financial statements will be released as follows:

- 2011 Annual Report  
22 February 2012
- General Meeting \*)  
15 March 2012
- Interim Report – Q1 2012  
30 April 2012
- Interim Report – First Half 2012  
20 August 2012
- Interim Report – Q1-Q3 2012  
29 October 2012

\*) Motions submitted by shareholders to be discussed at the General Meeting on 15 March 2012 must be received by the Bank no later than 2 February 2012.

### Sydbank contacts

Karen Frøsig, CEO  
Tel +45 74 37 20 00

Mogens Sandbæk, CFO  
Tel +45 74 37 24 00

Niels Møllegaard, Group Executive Vice President  
Tel +45 74 37 20 50

### Address

Sydbank A/S  
Peberlyk 4  
DK-6200 Aabenraa  
Tel +45 74 37 37 37  
CVR No DK 12626509

### Relevant links

[sydbank.dk](http://sydbank.dk)  
[sydbank.com](http://sydbank.com)

For further information reference is made to Sydbank's 2010 Annual Report at [sydbank.com](http://sydbank.com).