

SYDBANK

(incorporated with limited liability in Denmark)

€75,000,000

PERPETUAL CAPPED FIXED/VARIABLE RATE CAPITAL SECURITIES

(Kapitalbeviser)

Issue price: 100 per cent.

The €75,000,000 Perpetual Capped Fixed/Variable Rate Capital Securities (the **Capital Securities**) are issued by Sydbank A/S (the **Issuer** and the **Bank**).

Interest on the Capital Securities will be payable annually in arrear on 24th November, 2005 at a rate of 6.5 per cent. per annum and thereafter shall be payable semi-annually in arrear on the Interest Payment Dates falling on or nearest to 24th May and 24th November in each year. Payments on the Capital Securities will be made without deduction for or on account of taxes of the Kingdom of Denmark to the extent described under “*Conditions of the Capital Securities – Taxation*”.

The Capital Securities will constitute Hybrid Tier I Capital of the Issuer in accordance with the Danish Financial Business Act (Consolidated Act No. 686 of 25th June, 2004) (the **Danish Financial Business Act**). **The Capital Securities will constitute unsecured, subordinated debt obligations of the Issuer and shall at all times rank pari passu without preference among themselves and with other Hybrid Tier I Capital instruments and other capital instruments expressed to rank pari passu with Hybrid Tier I Capital.** The Capital Securities will at all times rank in priority to holders of any class of share capital of the Issuer, both as regards the right to receive periodic payments and the right to receive repayment of capital on a bankruptcy or liquidation of the Issuer. See “*Conditions of the Capital Securities – Status and Subordination*”.

The Issuer will have the right to defer the payment of interest on the Capital Securities in the event that the Issuer does not satisfy the capital adequacy requirements of the Danish Financial Business Act. Any interest not paid pursuant to this provision will itself accrue interest. See “*Conditions of the Capital Securities – Interest – Optional Deferral of Interest*”. Accrual of interest on the Capital Securities will cease with effect from the date of approval of the relevant annual audited accounts if the Issuer has no Available Free Reserves (as defined in the Conditions). See “*Conditions of the Capital Securities – Interest – Mandatory Deferral of Interest and Interest Cancellation*”. In addition, in certain circumstances, the shareholders of the Issuer, by a resolution passed at a general meeting duly convened in accordance with Danish law and the Issuer’s Articles of Association, may resolve to reduce and cancel, *pro rata*, part or all of the outstanding principal amount of each of the Capital Securities and any Arrears of Interest thereon together with all corresponding Additional Interest Amounts (each as defined in the Conditions) and any accrued interest on a *pro rata* basis with all the Issuer’s other outstanding Hybrid Tier I Capital instruments and other capital instruments expressed to rank *pari passu* with Hybrid Tier I Capital. See “*Conditions of the Capital Securities – Reduction of Amounts of Principal and Unpaid Interest*”.

The Capital Securities have no stated maturity. The principal amount of the Capital Securities will only be payable in the event of a bankruptcy or liquidation of the Issuer or upon a redemption of the Capital Securities by the Issuer.

The Capital Securities may be redeemed by the Issuer at its option on the Interest Payment Date falling on 24th November, 2014 or on any Interest Payment Date (as defined in the Conditions) thereafter at their principal amount together with accrued interest, provided that, in either such case, the Danish Financial Supervisory Authority (*Finanstilsynet*) (**DFSA**) has given its prior approval to such redemption. See “*Conditions of the Capital Securities – Redemption and Purchase – Redemption at the option of the Issuer*”. The Issuer will have the right, subject to the prior approval of the DFSA, upon the occurrence of certain tax events or capital events, to redeem the Capital Securities. See “*Conditions of the Capital Securities – Redemption and Purchase Redemption for Taxation Reasons and Capital Event Redemption*”.

See “Investment Considerations” on page 5 of this Offering Circular for certain matters that should be considered by prospective investors.

Application has been made for the listing of the Capital Securities on the Luxembourg Stock Exchange and on the Official Segment of the stock market of Euronext Amsterdam N.V. (**Euronext Amsterdam**).

The Capital Securities will be rated Baa1 by Moody’s Investors Service Limited. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

The Capital Securities will initially be represented by a temporary global Capital Security (the **Temporary Global Capital Security**), without interest coupons, which will be deposited on or about 24th November, 2004 (the **Closing Date**) with a common depositary for Euroclear Bank S.A./N.V., as operator of the Euroclear System, (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**). Interests in the Temporary Global Capital Security will be exchangeable for interests in a Permanent Global Capital Security (the **Permanent Global Capital Security**) and, together with the Temporary Global Capital Security, the **Global Capital Securities**), without interest coupons, on or after 4th January, 2005 (the **Exchange Date**), upon certification as to non-U.S. beneficial ownership. Interests in the Permanent Global Capital Security will be exchangeable for definitive Capital Securities only in certain limited circumstances – see “*Summary of Provisions relating to the Capital Securities while represented by the Global Capital Securities*”.

Lead Manager

ABN AMRO

The date of this Offering Circular is 22nd November, 2004

The Issuer accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

No person has been authorised to give any information or to make any representation other than those contained in this document in connection with the offering of the Capital Securities and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer or the Lead Manager (as defined under “*Subscription and Sale*” below). Neither the delivery of this document nor any sale made hereunder shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Issuer since the date hereof. This document does not constitute an offer of, or an invitation by, or on behalf of, the Issuer or the Lead Manager to subscribe for, or purchase, any of the Capital Securities. This document does not constitute an offer, and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such an offer or solicitation is not authorised or is unlawful.

The Lead Manager has not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Lead Manager as to the accuracy or completeness of the information contained in this Offering Circular or any other information provided by the Issuer in connection with the Capital Securities or their distribution.

This Offering Circular is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer or the Lead Manager that any recipient of this Offering Circular should purchase any of the Capital Securities. Each investor contemplating purchasing Capital Securities should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer.

The Capital Securities have not been and will not be registered under the United States Securities Act of 1933, as amended, (the **Securities Act**) and are subject to U.S. tax law requirements. Subject to certain exceptions, the Capital Securities may not be offered, sold or delivered within the United States or to U.S. persons. For a further description of certain restrictions on the offering and sale of the Capital Securities and on distribution of this document, see “*Subscription and Sale*” below.

IN CONNECTION WITH THE ISSUE OF THE CAPITAL SECURITIES, ABN AMRO BANK N.V. OR ANY PERSON ACTING FOR IT MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE CAPITAL SECURITIES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD. HOWEVER THERE MAY BE NO OBLIGATION ON ABN AMRO BANK N.V. OR ANY AGENT OF ITS TO DO THIS. SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD.

Stabilisation transactions conducted on Euronext Amsterdam must be conducted by a member of Euronext Amsterdam and must be conducted in accordance with all applicable rules and regulations, including those of Euronext Amsterdam and article 32 of the “Further regulation on the supervision of the securities trade 2002” (*Nadere regeling gedragstoezicht 2002*).

All references in this document to **U.S. dollars**, **U.S.\$** and **\$** refer to the currency of the United States of America, to **euro** and **€** refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community (signed in Rome on 25th March, 1957), as amended, and to **DKK** and **Kr** refer to Danish kroner, the currency of the Kingdom of Denmark.

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INCORPORATION BY REFERENCE

The 2002 and 2003 Annual Reports of the Issuer including the audited consolidated and non-consolidated financial statements of the Issuer as at and for the two years ended 31st December, 2003, and the unaudited consolidated and non-consolidated financial statements of the Issuer as at and for the nine month period ended 30th September, 2004 are incorporated by reference in the Offering Circular. Copies of such annual reports and financial statements are available free of charge at the specified office of each of the Paying Agents.

INVESTMENT CONSIDERATIONS

Prospective investors should consider carefully the risks set forth below and the other information contained in this Offering Circular prior to making any investment decision with respect to the Capital Securities. Prospective investors should carefully consider the merits and risks of an investment in the Capital Securities and, in particular, should be aware of the following:

If the Issuer's financial condition were to deteriorate materially, holders of Capital Securities could lose all or part of their investment.

The Capital Securities are Hybrid Tier I Capital of the Issuer in accordance with the Danish Financial Business Act. The Capital Securities are unsecured, deeply subordinated obligations of the Issuer and are currently the most junior debt instruments of the Issuer, ranking behind claims of depositors of the Issuer, other unsubordinated creditors of the Issuer and subordinated creditors of the Issuer, other than creditors with respect to any capital securities expressly stated to rank *pari passu* with or junior to the Capital Securities. The Capital Securities currently rank in priority only to all classes of share capital of the Issuer.

Consequently, if the Issuer's financial condition were to deteriorate materially, holders of the Capital Securities could suffer direct and materially adverse consequences, including suspension of non-cumulative interest payments and reduction and cancellation of all or a portion of any outstanding principal amount of each of the Capital Securities and any unpaid interest payable thereon. In such event, the holders of the Capital Securities could lose their entire investment.

Holders of Capital Securities may not receive interest payments if the Issuer does not satisfy the solvency requirements of the Danish Financial Business Act and will not receive interest payments in the absence of sufficient Available Free Reserves.

If the Issuer does not satisfy the solvency requirements of the Danish Financial Business Act, the Issuer may elect not to make interest payments that would otherwise be payable. Any interest on the Capital Securities so deferred will constitute Arrears of Interest. Interest will accrue on the amount of Arrears of Interest at the rate of interest applicable to the Capital Securities. Arrears of Interest (together with interest thereon) shall become due and payable in full (except to the extent reduced or eliminated by resolution of the Issuer's shareholders under certain circumstances) on the earlier of (i) the date on which the Issuer next satisfies the solvency requirements of the Danish Financial Business Act; (ii) the date on which the then outstanding principal amount of the Capital Securities is redeemed according to the Optional Redemption, Redemption for taxation reasons or Capital Event Redemption provisions; or (iii) the bankruptcy or liquidation of the Issuer.

In addition the Issuer will make only partial or no interest payments during any interest period where there are not sufficient Available Free Reserves. The right of holders of the Capital Securities to receive accrued but unpaid interest in respect of any such periods will be lost. The Issuer will have no obligation to make such payments of unpaid interest or to pay interest thereon. As of 31st December, 2003, the Available Free Reserves of the Issuer amounted to DKK 3,004 million.

Outstanding Principal and Unpaid Interest may be reduced by resolution of the Issuer's shareholders if certain conditions occur and holders of Capital Securities could lose all or part of their investment.

In the event that (i) the share capital and reserves of the Issuer have been reduced to zero; (ii) the shareholders of the Issuer by extraordinary resolution passed at a duly convened general meeting have resolved that the value of each of the outstanding shares representing the share capital of the Issuer be reduced to zero; and (iii) following the resolution referred to in (ii) above, either (a) sufficient share and/or other capital of the Issuer is subscribed or contributed so as to enable the Issuer, following any such reduction of the outstanding principal amount of the Capital Securities and any Arrears of Interest thereon, to comply with the solvency requirements of the Danish Financial Business Act; or (b) the Issuer ceases to carry on its business without a loss for the non-subordinated creditors, the shareholders of the Issuer, by a resolution passed at a general meeting duly convened in accordance with Danish law and the Issuer's Articles of Association, may resolve to reduce and cancel, *pro rata*, part or all of the outstanding principal amount of each of the Capital Securities and any Arrears of Interest thereon together with all corresponding Additional Interest Amounts and any accrued interest on a *pro rata* basis with all the Issuer's other outstanding Hybrid Tier I Capital instruments and other capital instruments expressed to rank *pari passu* with Hybrid Tier I Capital. In such event, holders of Capital Securities could lose their entire investment.

The amount of any such reduction shall be subject to the prior approval of the Issuer's elected external auditors and the DFSA and shall first be effected in respect of any Arrears of Interest thereon (together with all corresponding Additional Interest Amounts) and only when there are no such outstanding Arrears of Interest will the principal amount of the Capital Securities be reduced.

The Issuer may redeem the Capital Securities at any time upon the occurrence of certain tax or capital events.

The Issuer will have the right, subject to the prior approval of the DFSA, upon the occurrence of an event that would allow the Issuer to redeem the Capital Securities pursuant to Condition 6.2 or 6.4, to redeem the Capital Securities at a redemption amount equal to 100 per cent. of the original principal amount plus any Arrears of Interest and Additional Interest, plus interest in respect of the current Interest Period accrued to, but excluding, the date for redemption (which, for the avoidance of doubt, excludes interest which has been cancelled). There can be no assurance that the holders of the Capital Securities will be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investment in the Capital Securities.

Holders of the Capital Securities have no voting rights.

The Capital Securities are non-voting. Consequently, the holders of Capital Securities cannot influence, *inter alia*, any decisions by the Issuer's shareholders to reduce and cancel part or all of the outstanding principal amount of each of the Capital Securities and any Arrears of Interest thereon together with all corresponding Additional Interest Amounts or any other decisions by the Issuer's shareholders concerning the capital structure of the Issuer.

The Issuer may issue further debt.

The Issuer may issue further debt ranking *pari passu* with or senior to the Capital Securities. The Capital Securities do not limit the ability of the Issuer to incur indebtedness.

There has been no prior public market for the Capital Securities.

The Capital Securities constitute a new issue of securities. Prior to this offering, there has been no public market for the Capital Securities. Although application has been made to list the Capital Securities on the Luxembourg Stock Exchange and Euronext Amsterdam, there can be no assurance that an active public market for the Capital Securities will develop and, if such a market were to develop, the Lead Manager is under no obligation to maintain such a market. The liquidity and the market prices for the Capital Securities can be expected to vary with changes in market and economic conditions, the financial condition and prospects of the Issuer and other factors that generally influence the market prices of securities. Such fluctuations may significantly affect the liquidity and the market prices of the Capital Securities, which may trade at a discount to the price at which a purchaser purchased the Capital Securities.

Regulatory authorities have oversight powers over the Group.

The DFSA or its respective successors, regulatory authorities in the EU and regulatory authorities in other countries have oversight powers over the Issuer and its subsidiaries. Under certain circumstances, any of such regulatory authorities could make determinations or take decisions in the future with respect to any such entities or a portion of their respective operations or assets that could adversely affect the ability of the Issuer, among other things, to make payment to its security holders, engage in transactions with affiliates, purchase or transfer assets, pay obligations and make any redemption or liquidation payments to its security holders.

CONDITIONS OF THE CAPITAL SECURITIES

The following is the text of the Conditions of the Capital Securities which (subject to modification) will be endorsed on each Capital Security in definitive form:

The €75,000,000 Perpetual Capped Fixed/Variable Rate Capital Securities (the **Capital Securities**, which expression shall in these Conditions, unless the context otherwise requires, include any further capital securities issued pursuant to Condition 13 and forming a single series with the Capital Securities) of Sydbank A/S (the **Issuer**) are issued subject to and with the benefit of an Agency Agreement dated 24th November, 2004 (such agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) made between the Issuer, JPMorgan Chase Bank, N.A. as fiscal agent, principal paying agent and agent bank (the **Fiscal Agent**) and the other initial paying agents named in the Agency Agreement (together with the Fiscal Agent, the **Paying Agents**).

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Agency Agreement. Copies of the Agency Agreement are available for inspection during normal business hours by the holders of the Capital Securities (the **Holder**s) and the holders of the interest coupons and the talons (**Talons**) for further interest coupons appertaining to the Capital Securities (the **Couponholders** and the **Coupons** (which expression shall in these Conditions, unless the context otherwise requires, include the holders of the Talons and the Talons) respectively) at the specified office of each of the Paying Agents. The Holders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. References in these Conditions to the Fiscal Agent and the Paying Agents shall include any successor appointed under the Agency Agreement.

1. FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

The Capital Securities are in bearer form, serially numbered, in the denominations of €1,000, €10,000 and €100,000 each with Coupons and one Talon attached on issue. Capital Securities of one denomination may not be exchanged for Capital Securities of the other denomination.

1.2 Title

Title to the Capital Securities and to the Coupons will pass by delivery.

1.3 Holder Absolute Owner

The Issuer and any Paying Agent may (to the fullest extent permitted by applicable laws) deem and treat the bearer of any Capital Security or Coupon as the absolute owner for all purposes (whether or not the Capital Security or Coupon shall be overdue and notwithstanding any notice of ownership or writing on the Capital Security or Coupon or any notice of previous loss or theft of the Capital Security or Coupon).

2. STATUS AND SUBORDINATION

2.1 Status

The Capital Securities (*kapitalbeviser*) constitute Hybrid Tier I Capital (**Hybrid Tier I Capital** (*hybrid kernekapital*)) of the Issuer in accordance with Section 132 of the Danish Financial Business Act (Consolidated Act No. 686 of 25th June, 2004) (the **Danish Financial Business Act**).

The Capital Securities constitute unsecured, subordinated debt obligations of the Issuer and shall at all times rank *pari passu* without preference among themselves and with other Hybrid Tier I Capital instruments and other capital instruments expressed to rank *pari passu* with Hybrid Tier I Capital. The Capital Securities will at all times rank in priority to holders of any class of share capital of the Issuer, both as regards the right to receive periodic payments and the right to receive repayment of capital on a bankruptcy or liquidation of the Issuer.

2.2 Subordination

In the event of the bankruptcy or liquidation of the Issuer by way of public administration or otherwise, the rights of the Holders to payments of the original principal amount of the Capital Securities and any other amounts including interest due in respect of the Capital Securities shall rank *pari passu* without any preference among the Holders and *pari passu* with other Hybrid Tier I

Capital instruments and other capital instruments or obligations expressed to rank *pari passu* with Hybrid Tier I Capital (**Tier I Securites**).

The Capital Securities will rank senior in priority to payments to holders of all classes of share capital of the Issuer, and junior as regards the right of payment to the payment of any present or future claims of (a) depositors of the Issuer, (b) other unsubordinated creditors of the Issuer and (c) subordinated creditors of the Issuer other than creditors with respect to any securities expressly stated to rank *pari passu* with or junior to the Capital Securities.

3. REDUCTION OF AMOUNTS OF PRINCIPAL AND UNPAID INTEREST

The Issuer, by a resolution to be passed at a general meeting of its shareholders duly convened in accordance with Danish law and the Issuer's Articles of Association, may, pursuant to Section 132 of the Danish Financial Business Act, resolve to reduce and cancel, *pro rata*, part or all of the outstanding principal amount of each of the Capital Securities and any Arrears of Interest (as defined in Condition 4.7 below) thereon (together with all corresponding Additional Interest Amounts (as defined in Condition 4.7 below)) and any interest accrued since the commencement of the relevant Interest Period on a *pro rata* basis with all of the Issuer's outstanding Hybrid Tier I Capital instruments and other capital instruments expressed to rank *pari passu* with Hybrid Tier I Capital, upon the occurrence of the following circumstances:

- (a) the share capital and reserves of the Issuer have been reduced to zero;
- (b) a general meeting of the shareholders of the Issuer has effectively resolved in accordance with Danish law and the Issuer's Articles of Association to reduce to zero the value of each of the outstanding shares constituting the share capital of the Issuer; and
- (c) following the resolution referred to in (b) either (i) sufficient share and/or other capital of the Issuer is subscribed or contributed so as to enable the Issuer, following any such reduction of the outstanding principal amount of the Capital Securities and any accrued interest and Arrears of Interest thereon (together with all corresponding Additional Interest Amounts), to comply with the capital adequacy requirements of the Danish Financial Business Act or (ii) the Issuer ceases business without loss to non-subordinated creditors.

The amount of any such reduction shall be subject to the prior approval of the Issuer's elected external auditors and of the Danish Financial Supervisory Authority (or any successor thereto) (the **DFSA**) and shall first be effected, *pro rata*, in respect of any accrued interest, then any Arrears of Interest (together with all corresponding Additional Interest Amounts) relating to the Capital Securities and only when there are no such outstanding amounts will the outstanding principal amount of the Capital Securities be reduced.

The reduction and cancellation will take effect on the date specified in the relevant resolution approving any such reduction and cancellation of the outstanding principal amount of the Capital Securities and any Arrears of Interest thereon (and all corresponding Additional Interest Amounts) and any accrued interest and Holders will thereafter cease to have any claim in respect of any amounts so reduced and cancelled. The Issuer will give notice of any such reduction and cancellation immediately following the passing of such resolution to the Fiscal Agent and the Holders in accordance with Condition 11 and will provide a copy of such notice to the Luxembourg Stock Exchange and any other stock exchange on which the Capital Securities are listed and where the rules of such stock exchange so require. To the extent that part only of the outstanding principal amount of the Capital Securities or Arrears of Interest thereon (and all corresponding Additional Interest Amounts) have been so reduced, interest will continue to accrue in accordance with the terms hereof on the then outstanding principal amount of the Capital Securities and Arrears of Interest (including any Additional Interest Amounts), if any.

4. INTEREST

4.1 Interest Payment Dates

The Capital Securities bear interest from and including 24th November, 2004, payable annually in arrear on 24th November, 2005 and thereafter on 24th May and 24th November in each year (each an **Interest Payment Date**). If any Interest Payment Date (other than the First Interest Payment Date) would otherwise fall on a day which is not a Business Day (as defined below) it shall be postponed to the next day which is a Business Day unless it would then fall into the next calendar month in which event the Interest Payment Date shall be brought forward to the immediately

preceding Business Day. The period from and including 24th November, 2004 to but excluding the first Interest Payment Date and each successive period from and including an Interest Payment date to but excluding the next succeeding Interest Payment Date is called an **Interest Period**.

4.2 Rate of Interest

The rate of interest for the first Interest Period shall be 6.5 per cent. per annum. Thereafter the rate of interest payable from time to time in respect of the Capital Securities (the **Rate of Interest**) will be determined on the basis of the following provisions:

- (a) On each Interest Determination Date (as defined below), the Fiscal Agent or its duly appointed successor (in such capacity, the **Agent Bank**) will determine the Reference Rate (as defined below) at approximately 11.00 a.m. (Frankfurt time) on that Interest Determination Date. If the Reference Rate does not appear on the Relevant Screen Page, the Agent Bank will determine the applicable rate based on quotations from the principal Euro-zone (as defined below) office of each of the Reference Banks (as defined below) for the EUR CMS10 (the relevant mid-market 10 year annual swap rate 30/360 in euro) commencing two business days following the relevant Interest Determination Date. The highest and the lowest (or, in the event of equality, one of the highest and/or lowest) quotations so determined shall be disregarded by the Agent Bank for the purpose of determining the Reference Rate which shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of such provided quotations.

If, for any reason, the Reference Rate is no longer published or if fewer than three quotations are provided to the Agent Bank in accordance with the above paragraph, the Reference Rate shall be determined by the Agent Bank in its sole discretion, acting in good faith and in a commercial and reasonable manner.

- (b) The Rate of Interest for the Interest Period (other than the first Interest Period) shall, subject as provided below, be the Reference Rate plus the Margin (as defined below).
- (c) In no event shall the Rate of Interest be more than 8 per cent. per annum.
- (d) The Margin (the **Margin**) in relation to the Capital Securities is 0.2 per cent. per annum.
- (e) In these Conditions (except where otherwise defined), the expression:
- (i) **Banking Day** means, in respect of any city, any day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in that city;
 - (ii) **Business Day** means a day which is both a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and a TARGET Settlement Day;
 - (iii) **Euro-zone** means the region comprised of the member states of the European Union that have adopted the single currency in accordance with the Treaty establishing the European Community (signed in Rome on 25th March, 1957) as amended;
 - (iv) **Interest Determination Date** means the second TARGET Settlement Day before the commencement of the Interest Period for which the rate will apply;
 - (v) **Reference Banks** means the principal Euro-zone office of each of five major banks engaged in the Euro-zone interbank market selected by the Agent Bank provided that, once a Reference Bank has been selected by the Agent Bank, that Reference Bank shall not be changed unless and until it ceases to be capable of acting as such;
 - (vi) **Reference Rate** means in respect of any Interest Period, the 10 year mid swap rate in euro (Annual, 30/360) versus 6-month EURIBOR (Actual/360) which appears on the display designated as page "ISDAFIX2" under the heading "EURIBOR BASIS – 11.00 A.M. FRANKFURT" on the Reuter Monitor Money Rates Service (or such other page or service as may replace it for the purpose of displaying such rates) (the **Relevant Screen Page**) as at 11.00 a.m. Frankfurt time on the relevant Interest Determination Date; and

- (vii) **TARGET Settlement Day** means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open.

4.3 Determination of Rate of Interest and Interest Amount

The Agent Bank shall, as soon as practicable after 11.00 a.m. (Frankfurt time) on each Interest Determination Date, but in no event later than the third Business Day thereafter, determine the Rate of Interest and calculate the amount (the **Interest Amount**) payable in respect of interest on each €1,000 principal amount of Capital Securities for the relevant Interest Period. The Interest Amount shall be determined by applying the Rate of Interest to such principal amount, multiplying the sum by the actual number of days elapsed in the Interest Period concerned divided by twice the number of days in such Interest Period and rounding the resultant figure to the nearest cent (half a cent being rounded upwards).

4.4 Publication of Rate of Interest and Interest Amount

The Agent Bank shall cause the Rate of Interest and the Interest Amount for each Interest Period and the relative Interest Payment Date to be notified to the Issuer, the Fiscal Agent and to any stock exchange or other relevant authority on which the Capital Securities are at the relevant time listed and to be published in accordance with Condition 11 as soon as possible after their determination, and in no event later than the second Business Day thereafter. The Interest Amount and Interest Payment Date may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Capital Securities become due and payable under Condition 9, the accrued interest and the Rate of Interest payable in respect of the Capital Securities shall nevertheless continue to be calculated as previously by the Agent Bank in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made.

4.5 Notifications, etc. to be Final

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition, whether by the Reference Banks (or any of them) or the Agent Bank, will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agents and all Holders and Couponholders and (in the absence of wilful default, bad faith or manifest error) no liability to the Issuer or the Holders or the Couponholders shall attach to the Reference Banks (or any of them), the Agent Bank in connection with the exercise or non-exercise by it of its powers, duties and discretions under this Condition.

4.6 Agent Bank

The Issuer shall procure that, so long as any of the Capital Securities remains outstanding, there is at all times an Agent Bank for the purposes of the Capital Securities and the Issuer may terminate the appointment of the Agent Bank. In the event of the appointed office of any bank being unable or unwilling to continue to act as the Agent Bank or failing duly to determine the Rate of Interest and the Interest Amount for any Interest Period, the Issuer shall appoint the Eurozone office of another major bank engaged in the Euro-zone interbank market to act in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed.

4.7 Optional Deferral of Interest

- (a) Subject to Condition 4.8, the Issuer shall pay on each Interest Payment Date, which is not an Optional Interest Payment Date (as defined in sub-paragraph (d) below), interest accrued on the Capital Securities during the Interest Period to which such Interest Payment Date relates. On any Optional Interest Payment Date interest shall not be payable as aforesaid and the Issuer shall give notice pursuant to paragraph (c)(i) below electing not to pay interest. Any interest in respect of the Capital Securities not paid on an Optional Interest Payment Date, together with any other interest in respect of the Capital Securities not paid on any other Optional Interest Payment Date and any portion of interest deferred pursuant to Condition 4.8 shall, so long as the same remains unpaid, constitute **Arrears of Interest**.

Interest will accrue on the amount of any Arrears of Interest at the Rate of Interest applicable to the Capital Securities, in respect of any Interest Period, and such amount of interest (an **Additional Interest Amount**) with respect to each amount of Arrears of Interest will become due and payable

pursuant to sub-paragraph (b) below and shall be calculated by the Agent Bank in accordance with Condition 4.2 above. All Additional Interest Amounts accrued up to any specified Interest Payment Date shall be added, for the purposes only of calculating the Additional Interest Amounts accruing thereafter, to the amount of Arrears of Interest remaining unpaid on such Interest Payment Date.

- (b) Subject to Condition 3, Arrears of Interest (together with all corresponding Additional Interest Amounts) in respect of Capital Securities for the time being outstanding shall become due and payable in full on the earliest of:
- (i) the date on which the Issuer next satisfies the capital adequacy requirements of the Danish Financial Business Act;
 - (ii) the date upon which the then outstanding principal amount of the Capital Securities becomes due and payable; or
 - (iii) the bankruptcy or liquidation of the Issuer.
- (c) The Issuer shall, subject as set out below, give notice immediately to the Holders (in accordance with Condition 11) and to the Fiscal Agent of:
- (i) any Interest Payment Date on which, pursuant to the provisions of sub-paragraph (a) above, interest will not be paid; and
 - (ii) any date upon which, pursuant to the provisions of sub-paragraph (b) above, amounts in respect of Arrears of Interest and/or Additional Interest Amounts shall become due and payable.

Any notice given by the Issuer pursuant to sub-paragraphs (a) and (c)(i) above shall apply to each succeeding Optional Interest Payment Date until the next Interest Payment Date to occur on which the Issuer satisfies the capital adequacy requirements of the Danish Financial Business Act. Notwithstanding the requirement to give notice pursuant to sub-paragraph (c)(i) above, failure to give such notice shall not prejudice the right of the Issuer not to pay interest pursuant to the provisions of sub-paragraph (a) above.

- (d) In these Conditions, **Optional Interest Payment Date** means any Interest Payment Date at which date the Issuer does not satisfy the capital adequacy requirements of the Danish Financial Business Act.

4.8 Mandatory Deferral of Interest and Interest Cancellation

Interest will cease to accrue with effect from the date of approval of the relevant annual audited accounts if the Issuer has no Available Free Reserves (as defined below). Accordingly, in the event that the amount of the first interest payment on the Capital Securities following the date of approval of the relevant audited annual accounts of the Issuer will exceed the Available Free Reserves, such payment will be reduced to the amount of such Available Free Reserves, or, if there are no Available Free Reserves, to zero. Interest which has accrued in any applicable Interest Period prior to the date of approval of the relevant accounts, to the extent that the amount of interest accrued as at the date of approval of the relevant accounts exceeds the amount of the Available Free Reserves, shall be deferred and shall constitute Arrears of Interest. Where interest has ceased to accrue in respect of any Interest Period and subsequent annual audited accounts disclose Available Free Reserves, accrual of interest will recommence, provided, however, that the amount of the first payment due after the date of approval of such accounts will be restricted to the amount accrued from the date of approval of those accounts to the relevant Interest Payment Date.

In the event that less than full payment is to be made on any Interest Payment Date, the amount to be paid to any Holder will represent a *pro rata* share of the full amount available for payment, calculated by the Issuer by reference to the principal amount of the relevant holding as a proportion of the total principal amount of Capital Securities plus the principal amount of any *pari passu* ranking capital instruments outstanding.

Any interest payment or part thereof which has been made in accordance with these provisions will, to the extent such interest payment or part thereof has not been deferred in accordance with these provisions, be cancelled and will not fall due at any time thereafter. The Issuer shall give notice immediately to the Holders (in accordance with Condition 11) and to the Fiscal Agent of any applicable loss or deferral of interest payment as applicable.

For the purposes of this Condition 4, **Available Free Reserves** in respect of any fiscal year means the amount of profits transferred to (and remaining in) reserves in respect of previous fiscal years and the amount of profit transferred to reserves in respect of the relevant fiscal year and any other reserves available for distribution as dividends in respect of the relevant fiscal year all as disclosed in the Issuer's most recent audited annual financial accounts, prepared in accordance with Danish law, as reduced by any payments already made since the date of such accounts by reference to Available Free Reserves disclosed therein.

4.9 Dividend Suspension

The Issuer shall not declare, pay or make any dividend or other distribution on any class of its share capital nor shall the Issuer redeem, repurchase or otherwise acquire: (a) any of its share capital; (b) any *pari passu* ranking Tier I Securities; or (c) any obligations of the Issuer expressed to rank *pari passu* with or junior to the Capital Securities, until (subject to reduction or elimination as described in Condition 3), as the case may be, either all Arrears of Interest (together with all corresponding Additional Interest Amounts) have been paid in full and/or full interest payments are resumed following interest cancellation (in accordance with Condition 4.8 above) and have been paid for any two consecutive Interest Periods. Notwithstanding the provisions of this Condition 4.9, the Issuer may take such actions (i) in connection with transactions effected by or for the account of customers of the Issuer in connection with distribution, trading or market making in respect of any securities mentioned in this Condition 4.9; (ii) in connection with the satisfaction by the Issuer of its obligations under any existing or future employee benefit plans or similar arrangements with or for the benefit of employees, officers, directors or consultants of the Issuer or any of its Subsidiaries (as defined in §2 of the Danish Companies Act); or (iii) otherwise as required by law.

5. PAYMENTS AND EXCHANGES OF TALONS

5.1 Payments in respect of Capital Securities

Payments of principal and interest in respect of each Capital Security will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the Capital Security, except that payments of interest due on an Interest Payment Date will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Coupon, in each case at the specified office outside the United States of any of the Paying Agents.

5.2 Method of Payment

Payments will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by euro cheque.

5.3 Missing Unmatured Coupons

Each Capital Security should be presented for payment together with all relative unmatured Coupons (which expression shall, for the avoidance of doubt, include Coupons falling to be issued on exchange of matured Talons). Upon the date on which any Capital Security becomes due and repayable, all unmatured Coupons appertaining to the Capital Security (whether or not attached) shall become void and no payment shall be made in respect of such Coupons.

5.4 Payments subject to Applicable Laws

Payments in respect of principal and interest on Capital Securities are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 7.

5.5 Payment only on a Presentation Date

A holder shall be entitled to present a Capital Security or Coupon for payment only on a Presentation Date and shall not, except as provided in Condition 4, be entitled to any further interest or other payment if a Presentation Date is after the due date.

Presentation Date means a day which (subject to Condition 8):

- (a) is or falls after the relevant due date;

- (b) is a Business Day in the place of the specified office of the Paying Agent at which the Capital Security or Coupon is presented for payment; and
- (c) in the case of payment by credit or transfer to a euro account as referred to above, is a TARGET Settlement Day.

In this Condition, **Business Day** means, in relation to any place, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place and **Target Settlement Day** means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) system is open.

5.6 Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet (including any appropriate further Talon), subject to the provisions of Condition 8. Each Talon shall, for the purposes of these Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relative Coupon sheet matures.

5.7 Initial Paying Agents

The names of the initial Paying Agents and their initial specified offices are set out at the end of these Conditions. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that:

- (a) there will at all times be a Fiscal Agent;
- (b) there will at all times be at least two Paying Agents (one of which may be the Fiscal Agent) having its specified office in two European cities which so long as the Capital Securities are listed on the Luxembourg Stock Exchange shall be Luxembourg and, so long as the Capital Securities are listed on Euronext Amsterdam, shall be a city in The Netherlands;
- (c) the Issuer undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive; and
- (d) there will at all times be a Paying Agent in a jurisdiction within continental Europe, other than the jurisdiction in which the Issuer is incorporated.

Notice of any termination or appointment and of any changes in specified offices will be given to the Holders promptly by the Issuer in accordance with Condition 11.

6. REDEMPTION AND PURCHASE

6.1 Redemption

The Capital Securities are perpetual securities with no fixed final redemption date and Holders have no right at any time to call for the redemption of the Capital Securities, except as provided in Condition 9.

6.2 Redemption for Taxation Reasons

If:

- (a) as a result of (i) any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 7), or any change in the official interpretation of the laws or regulations of Denmark, which change or amendment becomes effective after 24th November, 2004, or (ii) any amendment to or change in the official position or the interpretation of any such laws or regulations, by any legislative body, court, governmental authority or regulatory body, which amendment or change becomes effective after 24th November, 2004, (in the case of (i) or (ii) above) immediately prior to the giving of the notice referred to below there is more than an insubstantial risk that: (A) the Issuer is, or will be, subject to more than a *de minimis* amount of taxes, duties, assessments or other governmental charges of whatever nature or civil liabilities with respect to the Capital Securities, (B) the

Issuer's treatment of items of expense with respect to the Capital Securities as deductible interest expense for Danish tax purposes as reflected on the tax returns (including estimated returns) filed (or to be filed) by the Issuer will not be respected by a taxing authority, which subjects the Issuer to more than a *de minimis* amount of additional taxes, duties or other governmental charges, or (C) the Issuer would be required to pay additional amounts as provided or referred to in Condition 7; and

(b) the requirement cannot be avoided by the Issuer taking reasonable measures available to it, the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Holders in accordance with Condition 11 (which notice shall be irrevocable), redeem all the Capital Securities, but not some only, on the next Interest Payment Date at their principal amount together with interest accrued to but excluding the date of redemption and any Arrears of Interest together with all corresponding Additional Interest Amounts, provided that, in each such case, the DFSA has given its prior approval to such redemption. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent a certificate signed by two Directors of the Issuer stating that the eventualities referred to in (A), (B) or (C) above will apply on the next Interest Payment Date and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and cannot be avoided by the Issuer taking reasonable measures available to it.

6.3 Redemption at the Option of the Issuer

The Issuer may, subject as provided in Condition 6.8, having given:

- (a) not less than 15 nor more than 30 days' notice to the Holders in accordance with Condition 11; and
- (b) notice to the Fiscal Agent not less than 15 days before the giving of the notice referred to in (a);

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all (but not some only) of the Capital Securities on the Interest Payment Date falling on 24th November, 2014 or on any following Interest Payment Date at their principal amount together with interest accrued to the date of redemption and any Arrears of Interest together with all corresponding Additional Interest Amounts. Notice of any such redemption shall be given by the Issuer to the Luxembourg Stock Exchange.

6.4 Capital Event Redemption

Subject as provided in Condition 6.8, the Issuer may on giving (a) not less than 15 nor more than 30 days' notice to the Holders in accordance with Condition 11 and (b) notice to the Fiscal Agent not less than 15 days before the giving of the notice referred to in (a), redeem all (but not some only) of the Capital Securities at their principal amount together with interest accrued to but excluding the date of redemption and any Arrears of Interest together with all corresponding Additional Interest Amounts if the Issuer is advised by the DFSA that the Capital Securities are not eligible for inclusion in the Tier I Capital of the Issuer. Notice of any such redemption shall be given by the Issuer to the Luxembourg Stock Exchange.

Under the laws and regulations currently in effect in the Kingdom of Denmark, the DFSA may not grant an approval for the redemption of Hybrid Tier I Capital Securities, which includes the Hybrid Tier I Capital Securities of the Issuer, earlier than ten years after the initial issuance of the relevant securities. However, the DFSA may, under special circumstances, authorise such redemption not earlier than five years after the issuance. Therefore, in the absence of a change in the relevant Danish laws and regulation or in their interpretation, the Issuer would not be in a position to redeem the Capital Securities within five years of initial issuance and may not (in the absence of any special circumstances) receive approval for such redemption prior to ten years having elapsed from initial issuance. Even after such ten years, granting approval for such redemption shall remain in the discretion of the DFSA.

6.5 Purchases

The Issuer or any of its Subsidiaries may, subject as provided in Condition 6.8, at any time purchase Capital Securities (provided that all unmatured Coupons appertaining to the Capital Securities are purchased with the Capital Securities) in any manner and at any price.

6.6 Cancellations

All Capital Securities which are (a) redeemed or (b) purchased by or on behalf of the Issuer or any of its Subsidiaries will forthwith be cancelled, together with all relative unmatured Coupons attached to the Capital Securities or surrendered with the Capital Securities, and accordingly may not be reissued or resold.

6.7 Notices Final

Upon the expiry of any notice as is referred to in paragraph 6.2, 6.3 or 6.4 above the Issuer shall be bound to redeem the Capital Securities to which the notice refers in accordance with the terms of such paragraph.

6.8 Consent of the DFSA

The Issuer will not redeem any Capital Securities pursuant to paragraph 6.2, 6.3 or 6.4 of this Condition 6, nor purchase any Capital Securities pursuant to paragraph 6.5 of this Condition 6, nor agree to any modification of these terms and conditions pursuant to Condition 12 without first consulting with and obtaining the prior consent of the DFSA, except in the case of purchase of any Capital Securities as provided in Section 132 paragraph 4 of the Danish Financial Business Act.

7. TAXATION

7.1 Payment without Withholding

All payments in respect of the Capital Securities by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**) imposed or levied by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will, subject to Condition 4.8, pay such additional amounts as may be necessary in order that the net amounts received by the Holders and Couponholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Capital Securities or, as the case may be, Coupons in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Capital Security or Coupon:

- (a) presented for payment by or on behalf of a holder who is liable to the Taxes in respect of the Capital Security or Coupon by reason of his having some connection with the Relevant Jurisdiction other than the mere holding of the Capital Security or Coupon; or
- (b) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (c) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Capital Security or Coupon to another Paying Agent in a Member State of the European Union; or
- (d) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a Presentation Date (as defined in Condition 5).

7.2 Interpretation

In these Conditions:

- (a) **Relevant Date** means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Fiscal Agent on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Holders by the Issuer in accordance with Condition 11; and
- (b) **Relevant Jurisdiction** means the Kingdom of Denmark or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer

becomes subject in respect of payments made by it of principal and interest on the Capital Securities and Coupons.

7.3 Additional Amounts

Any reference in these Conditions to any amounts in respect of the Capital Securities shall be deemed also to refer to any additional amounts which may be payable under this Condition.

8. PRESCRIPTION

Capital Securities and Coupons (which for this purpose shall not include Talons) will become void unless presented for payment within periods of 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the Capital Securities or, as the case may be, the Coupons, subject to the provisions of Condition 5. There shall not be included in any Coupon sheet issued upon exchange of a Talon any Coupon which would be void upon issue under this Condition or Condition 5.

9. EVENTS OF DEFAULT

9.1 Events of Default

Any one or more of the following events shall constitute an **Event of Default**:

- (a) Subject to Conditions 3, 4.7 and 4.8 there is a failure to make payment of any principal or interest in respect of the Capital Securities within 7 days of the relevant due date; or
- (b) An order is made or an effective resolution is passed for the bankruptcy or liquidation of the Issuer.

9.2 Remedies

- (a) If an Event of Default shall have occurred and be continuing, the holder of any Capital Security may institute such proceedings against the Issuer as it may think fit (other than filing a petition for bankruptcy) to enforce its rights, provided that the Issuer shall not by virtue of any such proceedings be obliged to pay any sum or sums sooner than the same would otherwise have been payable, except as set forth in (b) below.
- (b) If an order is made or an effective resolution is passed for the bankruptcy or liquidation of the Issuer, then all the Capital Securities shall become immediately due and payable at the request of the Holder thereof at their then outstanding principal amount together with interest accrued to such date (and any Arrears of Interest and all corresponding Additional Interest Amounts).

10. REPLACEMENT OF CAPITAL SECURITIES AND COUPONS

Should any Capital Security or Coupon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Fiscal Agent or the Paying Agent in Luxembourg, upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Capital Securities or Coupons must be surrendered before replacements will be issued.

11. NOTICES

All notices to the Holders will be valid if published in a leading English language daily newspaper published in London or such other English language daily newspaper with general circulation in Europe as the Issuer may decide and, so long as the Capital Securities are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, in one leading daily newspaper of general circulation published in Luxembourg and, so long as the Capital Securities are listed on Euronext Amsterdam, in a leading newspaper having general circulation in the Netherlands and, so long as the rules of Euronext Amsterdam so require, in the Euronext Daily Official List (*officiële Prijscourant*). It is expected that publication will normally be made in the *Financial Times* and the *Luxemburger Wort* and the *Het Financieele Dagblad*. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Capital Securities are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

12. MEETINGS OF HOLDERS AND MODIFICATION

12.1 Meetings of Holders

The Agency Agreement contains provisions for convening meetings of the Holders to consider any matter affecting their interests, including the modification by Extraordinary Resolution of any of these Conditions or any of the provisions of the Agency Agreement. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing more than 50 per cent. in principal amount of the Capital Securities for the time being outstanding, or at any adjourned meeting one or more persons present whatever the principal amount of the Capital Securities held or represented by him or them, except that at any meeting the business of which includes the modification of certain of these Conditions the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds, or at any adjourned meeting not less than one-third, of the principal amount of the Capital Securities for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Holders will be binding on all Holders, whether or not they are present at the meeting, and on all Couponholders.

12.2 Modification

The Fiscal Agent may agree, without the consent of the Holders or Couponholders, to any modification of any of these Conditions or any of the provisions of the Agency Agreement either (i) for the purpose of curing any ambiguity or of curing, correcting or supplementing any manifest or proven error or any other defective provision contained herein or therein or (ii) in any other manner which is not materially prejudicial to the interests of the Holders. Any modification shall be binding on the Holders and the Couponholders and, unless the Fiscal Agent agrees otherwise, any modification shall be notified by the Issuer to the Holders as soon as practicable thereafter in accordance with Condition 11.

13. FURTHER ISSUES

The Issuer may from time to time without the consent of the Holders or Couponholders create and issue further Capital Securities, having terms and conditions the same as those of the Capital Securities, or the same except for the amount of the first payment of interest, which may be consolidated and form a single series with the outstanding Capital Securities.

14. ADDITIONAL OBLIGATIONS

For so long as the Capital Securities are listed on Euronext Amsterdam, the Issuer will comply with the provisions set forth in Article 2.1.20 of Schedule B of the Listing and Issuing Rules (*Fondsenreglement*) of Euronext Amsterdam as at the date of this Offering Circular.

15. GOVERNING LAW AND SUBMISSION TO JURISDICTION

15.1 Governing Law

The Agency Agreement, the Capital Securities and the Coupons are governed by, and will be construed in accordance with English law save for the provisions of Conditions 2, 3, 4.7, 4.8, 4.9, 6.2, 6.3, 6.4 and 9 which are governed by, and will be construed in accordance with, the laws of the Kingdom of Denmark.

15.2 Jurisdiction of English Courts

The Issuer has irrevocably agreed for the benefit of the Holders and the Couponholders that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Capital Securities or the Coupons and accordingly has submitted to the exclusive jurisdiction of the English courts. The Issuer waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum.

The Holders and the Couponholders may take any suit, action or proceeding arising out of or in connection with the Capital Securities or the Coupons respectively (together referred to as **Proceedings**) against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

15.3 Appointment of Process Agent

The Issuer hereby irrevocably and unconditionally appoints Kromann Reumert at its registered office for the time being as its agent for service of process in England in respect of any Proceedings and undertakes that in the event of such agent ceasing so to act it will appoint another person as its agent for that purpose.

15.3 Other Documents

The Issuer has in the Agency Agreement submitted to the jurisdiction of the English courts and appointed an agent in England for service of process, in terms substantially similar to those set out above.

16. RIGHTS OF THIRD PARTIES

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Capital Security, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

SUMMARY OF PROVISIONS RELATING TO THE CAPITAL SECURITIES WHILE REPRESENTED BY THE GLOBAL CAPITAL SECURITIES

*The following is a summary of the provisions to be contained in the Temporary Global Capital Security and the Permanent Global Capital Security (together the **Global Capital Securities**) which will apply to, and in some cases modify, the Terms and Conditions of the Capital Securities while the Capital Securities are represented by the Global Capital Securities. The Capital Securities will initially be represented by the Temporary Global Capital Security, exchangeable for interests in a Permanent Global Capital Security in accordance with its terms.*

1. EXCHANGE

The Permanent Global Capital Security will be exchangeable in whole but not in part (free of charge to the holder) for definitive Capital Securities only if (each an **Exchange Event**):

- (a) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available; or
- (b) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Capital Securities in definitive form.

The Issuer will promptly give notice to Holders if an Exchange Event occurs. In the case of (a) above, the holder of the Permanent Global Capital Security, acting on the instructions of one or more of the Accountholders (as defined below), may give notice to the Issuer and the Fiscal Agent and, in the case of (b) above, the Issuer may give notice to the Fiscal Agent of its intention to exchange the Permanent Global Capital Security for definitive Capital Securities on or after the Exchange Date (as defined below).

On or after the Exchange Date the holder of the Permanent Global Capital Security may or, in the case of (b) above, shall surrender the Permanent Global Capital Security to or to the order of the Fiscal Agent. In exchange for the Permanent Global Capital Security the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of definitive Capital Securities (having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global Capital Security), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in the Agency Agreement. On exchange of the Permanent Global Capital Security, the Issuer will procure that it is cancelled and, if the holder so requests, returned to the holder together with any relevant definitive Capital Securities.

For these purposes, **Exchange Date** means a day specified in the notice requiring exchange falling not less than 60 days after that on which such notice is given, being a day on which banks are open for general business in the place in which the specified office of the Fiscal Agent is located and, except in the case of exchange pursuant to (a) above, in the place in which the relevant clearing system is located.

2. PAYMENTS

On and after 4th January, 2005, no payment will be made on the Temporary Global Capital Security unless exchange for an interest in the Permanent Global Capital Security is improperly withheld or refused. Payments of principal and interest in respect of Capital Securities represented by a Global Capital Security will, subject as set out below, be made against presentation for endorsement and, if no further payment falls to be made in respect of the Capital Securities, surrender of such Global Capital Security to the order of the Fiscal Agent or such other Paying Agent as shall have been notified to the Holders for such purposes. A record of each payment made will be endorsed on the appropriate part of the schedule to the relevant Global Capital Security by or on behalf of the Fiscal Agent, which endorsement shall be *prima facie* evidence that such payment has been made in respect of the Capital Securities. Payments of interest on the Temporary Global Capital Security (if permitted by the first sentence of this paragraph) will be made only upon certification as to non-U.S. beneficial ownership unless such certification has already been made.

3. NOTICES

For so long as all of the Capital Securities are represented by one or both of the Global Capital Securities and such Global Capital Security(ies) is/are held on behalf of Euroclear and/Clearstream, Luxembourg, notices to Holders may be given by delivery of the relevant notice to Euroclear and/or

Clearstream, Luxembourg (as the case may be) for communication to the relative Accountholders rather than by publication as required by Condition 11, provided that, (i) so long as the Capital Securities are listed on the Luxembourg Stock Exchange and the rules of that Exchange so require, notices shall also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) and (ii) so long as the Capital Securities are listed on Euronext Amsterdam, in a leading newspaper having general circulation in The Netherlands (which is expected to be *Het Financieele Dagblad*) and, so long as the rules of Euronext Amsterdam so require, in the Euronext Daily Official List (*Officiële Prijscourant*). Any such notice shall be deemed to have been given to the Holders on the second day after the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

4. ACCOUNTHOLDERS

For so long as all of the Capital Securities are represented by one or both of the Global Capital Securities and such Global Capital Security (s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of Capital Securities (each an **Accountholder**) (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Capital Securities standing to the account of any person shall be conclusive and binding for all purposes) shall be treated as the holder of that principal amount for all purposes (including but not limited to, for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Holders) other than with respect to the payment of principal and interest on the principal amount of such Capital Securities, the right to which shall be vested, as against the Issuer solely in the bearer of the relevant Global Capital Security in accordance with and subject to its terms. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the bearer of the relevant Global Capital Security.

5. PRESCRIPTION

Claims against the Issuer in respect of principal and interest on the Capital Securities represented by a Global Capital Security will be prescribed after 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date (as defined in Condition 7).

6. CANCELLATION

Cancellation of any Capital Security represented by a Global Capital Security and required by the Terms and Conditions of the Capital Securities to be cancelled following its redemption or purchase will be effected by endorsement by or on behalf of the Fiscal Agent of the reduction in the principal amount of the relevant Global Capital Security on the relevant part of the schedule thereto.

7. EUROCLEAR AND CLEARSTREAM, LUXEMBOURG

Capital Securities represented by a Global Capital Security are transferable in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as appropriate. References in the Global Capital Securities and this summary to Euroclear and/or Clearstream, Luxembourg shall be deemed to include references to any other clearing system through which interests in the Capital Securities are held.

USE OF PROCEEDS

The net proceeds of the issue of the Capital Securities, amounting to approximately, €73,500,000, will be applied by the Issuer for refinancing existing capital and for general corporate purposes.

CAPITALISATION

CAPITALISATION OF THE SYDBANK GROUP

The following table sets forth (i) the capitalisation and indebtedness of the Sydbank Group as at 30th September, 2004 and (ii) such capitalisation and indebtedness as adjusted to reflect the issue of the Capital Securities by the Bank (as if such issue had occurred as at 30th September, 2004).

	<i>As at 30th September, 2004</i>	
	<i>Actual</i>	<i>As adjusted</i>
	<i>DKK million</i>	<i>DKK million</i>
Share capital and reserves		
Share capital ⁽¹⁾⁽³⁾	725	725
Other equity ⁽²⁾⁽³⁾	3,563	3,563
Total share capital and reserves	<u>4,288</u>	<u>4,288</u>
Borrowing		
Due to credit institutions	14,289	14,289
Deposits	40,970	40,970
Bonds issued.. .. .	1,860	1,860
Other liabilities.. .. .	6,866	6,866
Subordinated debt.. .. .	1,262	1,262
The Capital Securities	–	558
Total borrowing ⁽⁴⁾	<u>65,247</u>	<u>65,805</u>
Total capitalisation	<u>69,535</u>	<u>70,093</u>

Notes:

- (1) The authorised and issued share capital of the Bank consists of 7,250,000 fully paid up ordinary shares of DKK 100 nominal value each.
- (2) Other equity includes restricted savings bank reserve, restricted reserve relating to subsidiaries, profit brought forward from prior years and profit brought forward from the year.
- (3) At an Extraordinary General Meeting on 7th September, 2004 it was decided that the Bank's share capital will be reduced by DKK 25m nominal from DKK 725m nominal to DKK 700m nominal. This means that the shareholders equity has been reduced by DKK 230m as at 7th September, 2004. The share capital will be reduced after a statutory period of notice of 3 months.
- (4) None of the borrowings are guaranteed or secured as at 30th September, 2004.
- (5) The Sydbank Group had outstanding contingent liabilities, including guarantees, at 30th September, 2004 of DKK 9,912m.
- (6) Since 30th September, 2004 there has been no material change to the capitalisation, contingent liabilities, indebtedness and guarantees of the Sydbank Group (as so adjusted).

DESCRIPTION OF THE ISSUER

INTRODUCTION

The Sydbank Group is Denmark's fourth-largest banking group with assets around DKK 74 billion (EUR 9.9 billion) at year-end 2003. Sydbank has been created via a string of mergers and acquisitions, the most recent in 2002 when Sydbank acquired Egnsbank Fyn A/S.

Sydbank's head office is situated in Aabenraa – a small town in Southern Jutland approximately 25 kilometres north of the Danish-German border. Sydbank has 113 branches throughout Denmark, 2 in northern Germany and a private banking operation in St. Gallen, Switzerland. As at 30th June, 2004, the Group had a total of 2,024 full-time employees.

Sydbank has a retail market share of around 20-25% in Southern Jutland and Funen. Nationwide the market share is around 4-5% – highest for corporate clients.

THE DANISH BANKING SECTOR

The Danish banking sector is highly consolidated. The two financial conglomerates, Danske Bank and Nordea dominate the sector. Both are pan-Scandinavian banks. The two market leaders hold approximately 67% of total loans and deposits in the Danish banking sector – Danske Bank 48% and Nordea 19%. The next group of banks is Jyske Bank, with a market share (loans and deposits) of approximately 6% and Sydbank with a market share of approximately 4-5%. Jyske Bank and Sydbank both have regional origins but have established a national brand structure. The rest of the market is fragmented with many small and medium sized banks, typically with a strong local focus.

The four largest banks in Denmark have combined approximately 78% of the total loans and deposits among Danish commercial banks and savings banks.

At the end of 2003, Denmark had 176 commercial banks and savings banks.

Foreign banks cover only a minor – albeit rising – share of the Danish market. 18 foreign credit institutions have established branches in Denmark. In addition a few foreign banks, especially Scandinavian, have bought medium-sized Danish banks, but kept the local brands.

Total balance sheet of the Danish-banking sector is approximately DKK 2,300 billion. This represents 37.5% of the overall balance sheet of the Danish financial sector, and commercial banks and savings banks make up the largest part of the financial sector in Denmark.

The second largest sector is mortgage credit, with 30.6% of the overall balance sheet. Nykredit and Realkredit Danmark (part of Danske Bank Group) dominate the mortgage credit market. Combined they hold approximately 70% of the market. Nykredit is the only remaining independent mortgage institution in Denmark. In 2003 Nykredit acquired Totalkredit (owned by over 100 small and medium sized banks – including Sydbank), the second largest independent mortgage institution.

During the last 10 years, technological developments have enabled Danish banks to maintain and improve customer service levels and at the same time to reduce the number of branches and employees. The number of employees was reduced from 46,685 in 1994 to 38,740 at the end of 2003.

Despite the relatively high concentration in the Danish banking sector, competition is fierce and effective. This is mainly due to the special Danish banking structure, where many small and medium-sized local banks compete intensively against the few national banks. A well-developed joint infrastructure in the field of cash management characterised by solidarity has contributed to maintaining the Danish banking structure, distinguished by many independent units.

In addition foreign competitors trying to capture market shares intensifies competition.

The interest margin has been under pressure in recent years, which reflects the keen competition in the Danish banking sector. It should be noted that the short-term interest rate determined by the monetary policy has reached a historically low level in recent years.

THE SYDBANK GROUP

History

Although Sydbank's roots are more than 100 years old, the name and legal entity, Sydbank, was first established in 1970 through a merger of four local banks in Southern Jutland. In the 1980s, the Bank began expanding its domestic branch network outside Southern Jutland.

Between 1980 and 1989, the Bank established a branch in Copenhagen (in 1981), merged with Århus Bank (in 1983) and with Fynske Bank (in 1984) and partially acquired two Copenhagen-based banks, 6 juli Banken (in 1987) and Fællesbanken (in 1988). Outside Denmark, Sydbank established branches in Germany in 1984 and 1985.

In 1990, the Bank merged with Sparekassen Sønderjylland, the major savings bank in Southern Jutland, which consolidated the leading market position of the merged entity in that area. The legal name of the merged bank was Sydbank Sønderjylland A/S, organised as a subsidiary of Syd-Sønderjylland Holding A/S, to comply with then applicable statutory requirements.

On 1st January, 1994, Sydbank acquired the sound, basic banking activities of Varde Bank (which was then in financial difficulties) and, on 1st May, 1994, it acquired the basic banking activities of Aktivbanken from its insurance company parent, Topdanmark. Following these acquisitions, Sydbank became the fourth largest bank in Denmark. The complex holding company structure was abandoned as from 1st January, 1995 and, as a result, the name of the Bank was changed to Sydbank A/S.

The purchases of Varde Bank's and Aktivbanken's core businesses effectively doubled the Bank's business volume as well as the number of its staff. In order to bolster its capital base following the acquisitions, the Bank made two separate issues of new share capital. Following the acquisitions, the Bank consciously reduced its customer base, reduced costs and made excess provisions compared with the sector in order to replenish its limited accumulated loan loss provisions. The dominating objectives of these measures were stabilisation and consolidation.

In early 1997, management of the Bank embarked on a series of measures aimed at growing the Bank's business in line with the rest of the Danish banking sector. Since then, operating profits from the acquisitions have become increasingly visible and customer departures have been replaced by customer influx. Management believes that the Bank is currently in a strong market position and has good potential of realising earnings above the sector average in future periods.

On 22nd August, 2000, Sydbank obtained a rating from Moody's.

In May 2002 Sydbank merged with Egnsbank Fyn, a small local bank in Odense.

Legal status and Group description

Sydbank A/S is a public limited liability bank. Although there are no limitations on the transfer of shares in the Bank, individual shareholders are only permitted to vote in respect of a maximum of 500 shares at general meetings of the Bank.

In addition to the dominant banking activities of Sydbank A/S, the Sydbank Group includes the wholly-owned undertakings Ejendomsselskabet af 1 juni 1986 A/S, DMK-Holding A/S and SBK-Invest A/S, each of which is domiciled in Aabenraa, and Sydbank (Schweiz) AG, St. Gallen, Switzerland. The joint share of these undertakings of the total assets of the Sydbank Group is less than 1 per cent.

In addition, Sydbank has significant ownership interests in Bankdata (54 per cent.), the Bank's information technology support company.

The Bank's registered office and principal place of business is Peberlyk 4, DK-6200 Aabenraa, Denmark.

Ownership

Sydbank is listed on the Copenhagen Stock Exchange (www.xcse.dk) and has approximately 130,000 shareholders. Three shareholders have informed the Bank that they own more than 5 per cent. of its share capital. As of 30th September, 2004 these were Nykredit A/S (more than 5 per cent.), and the investment funds, Silchester and Fidelity (more than 10 per cent.).

Business areas

The range of products the Bank offers to its customers include all normal banking and pension scheme products. Mortgage credit loans and insurance products are offered by several business partners and sub-suppliers of the Bank including, in the insurance area; Topdanmark and PFA and, in the mortgage credit area, Totalkredit, Nykredit and DLR.

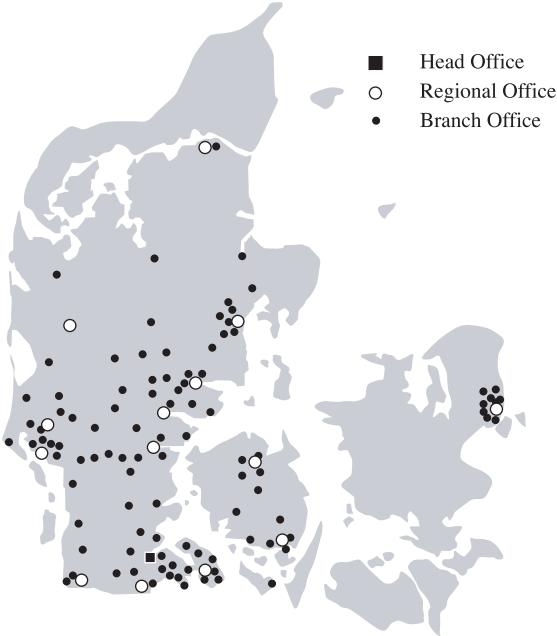
Sydbank maintains a special knowledge and competence in several niche areas, such as pensions and investments, managing payment flows and risk management for corporate clients. In the unit trust area Sydbank primarily uses Sydinvest and BankInvest as partners/sub-suppliers.

Sydbank is competitive within electronic banking solutions and self-service concepts. Its products in these areas include NetBank (an Internet bank) and Online Banking for corporate clients.

Geographical location

Sydbank’s geographical core areas are the southern part of Jutland and Funen. Outside these core areas, Sydbank is represented in Copenhagen and in other major Danish cities as well as in Germany and Switzerland.

The map below shows the location of the Bank’s head office and its regional and branch offices.



Sydbank’s customer-orientated activities in Denmark are handled in the 15 Danish regions, which provide full service to all customers. In addition to the regional head office, a typical region has 6-8 branches and a staff of approximately 100.

The total number of branches in Denmark amounts to 113. In addition, there are two branches in the northern part of Germany (one in Flensburg and one in Hamburg), and PBI (Private Banking International) in Graasten and St. Gallen, Switzerland which offers asset management to non-Danish nationals and Danish nationals living outside Denmark.

Sydbank has 16 part-time branches, which helps to maintain a presence at a profitable level even in small suburban communities in the core areas.

Sydbank’s head office is situated in Aabenraa, a small provincial town approximately 25 kilometres north of the Danish-German border. This allows it to maintain a visible link with the core area in the southern part of Jutland and also reflects its historical roots in the area.

Vision and objectives

Sydbank is and intends to continue to be an independent Danish all-round bank– deeply rooted in terms of its customers and shareholders – operating for the benefit of its customers, local communities, shareholders and employees. The close ties with the core areas are to be maintained. It is the ambition of the Bank to service the financial needs of its customers:

Competently, i.e. based on knowledge and quality in the advisory services, as well as on service and efficient customer attendance;

Reliably, i.e. a business concept, a staff and a range of products which represent earnestness, ethics and sustainability;

Obligingly, i.e. an open, friendly and suitably informal profile, appearance and behaviour adjusted to the customers' varied expectations; and

Competitively, i.e. products and prices which match the market.

In most of the 1980s and 1990s, Sydbank participated in the consolidation of small and medium-sized financial institutions in Denmark and based on the Bank's overall standard of values, it is the Bank's ambition to participate in further consolidation of small and medium-sized financial institutions.

Sydbank currently has no plans to establish further branches abroad in addition to the existing branches in Northern Germany and Switzerland although it will continue to work on expanding and cultivating its international relations.

The Bank's customer and product strategies are focused on servicing profitably (whether directly or through business partners and sub-suppliers) its customers' needs for finance, investment, hedging and cash management.

Maintaining the joint Danish payment systems – interbank and securities exchange and settlement systems – is one important element of Sydbank's strategy. This is underlined by the Bank's participation in the Regional Bankers' Association. The members of Regional Bankers' Association are Amagerbanken A/S, Fionia Bank A/S, Arbejdernes Landsbank A/S, Jyske Bank A/S, Spar Nord Bankaktieselskab and Sydbank A/S.

The Bank's investment in the information technology area is undertaken both through active participation in the joint Danish payment systems and partly through its participation with 15 other Danish financial institutions in Bankdata, which develops basic information technology systems for financial institutions.

Goals and competitive parameters

Sydbank intends to increase its market share primarily in earnings, but also in business volume and customers. The Bank aims to attract more customers in both the youth and senior segments. Closeness and availability are key competitive parameters for Sydbank in seeking to increase its market share. The Bank aims to ensure that using Sydbank should be a straightforward experience to the customers.

In this connection, Sydbank intends to develop and improve the efficiency of its delivery channels targeted at corporate and retail customers in order to meet their wish for increased availability and in order to increase the degree of self-service thus making time available for advisory customer services.

The Bank will continue to attach great importance to offering personal service to its customers. Therefore, the Bank will maintain a relatively large low-cost branch network through the use of both part-time and small branches (with only 2-4 employees). At the same time, the Bank aims to expand its electronic customer channels including the use of card systems and machines and online banking systems.

Customer satisfaction

Sydbank considers a high degree of customer satisfaction to be an important competitive parameter. Management believes that its retail and corporate customers (particularly in its core areas) have a high degree of loyalty and that they are generally satisfied with the Bank.

The 2004 Aaland Research poll showed that Sydbank – for the fourth consecutive year – has the most satisfied and loyal corporate clients in Denmark.

Cash management

Domestic cash management is centred in PBS – one of the cornerstones of the joint Danish payment systems. Like other Danish banks, Sydbank issues debit cards to its customers through Dankort. Sydbank has issued 160,000 Dankort cards, equal to a market share of approximately five per cent. The Dankort card can be used as a purchase card at 85,000 points-of-sale in Denmark and for making withdrawals in approximately 2,500 ATMs in Denmark. The Dankort card can be combined with VISA and, as such, it can also be used abroad.

Sydbank's activities in its branches in Northern Germany are aimed at small and medium-sized Danish businesses in the German market and at retail customers. The corporate activities are concentrated around cash management and small transaction credits. The Bank has generated considerable expertise and experience within cash management between Denmark and Germany, which makes it an attractive business partner to Danish businesses with activities in Germany. In addition, Sydbank participates in the German MultiCash system. MultiCash is an online banking system developed for cash management by a joint group of German banks.

In 1999, Sydbank joined the international Connector Partnership for efficient cross-border cash management. The partnership counts 12 major financial institutions representing an overall branch network of approximately 9,500. The agreement has resulted in significantly improved competitiveness within international cash management and, through this partnership, Sydbank is able to match the offers of larger financial institutions.

Sydbank Markets and investment centres

Sydbank believes that investments will continue to be a high-growth area in the years ahead as a consequence of increasing pension savings, outsourcing of asset management and continued increasing demand from personal investors for investment products.

As a result, the Bank intends to continue to focus on asset management and securities trading. One important competitive parameter will be its ability to provide an expert and value-adding advisory service. Internet technology is expected to play an important role in this service and Sydbank already offers its customers the opportunity to buy and sell a number of Danish and foreign shares and bonds at real time prices via NetBank.

In the area of retail customers, Sydbank's objective is to offer decentralised advisory services in local investment centres. This highlights the personal service and ensures the opportunity of tailoring investment solutions to the individual customer's needs.

With respect particularly to professional investors, Sydbank has developed a line of analysis models primarily for bonds. These have been applied with success as "door openers" to domestic and foreign professional investors. The Bank aims in future years to enhance its effort to establish a dialogue with the professional segment by developing analysis models and providing expert and value-adding advisory services.

OVERVIEW OF FINANCIAL PERFORMANCE

Operating result

The tables below set out an analysis of the Bank's consolidated profit and loss account by core and treasury income and certain key figures and ratios derived from its financial statements.

Profit and Loss Account by core and treasury income

	<i>Year ended 31st December,</i>			<i>Nine months ended</i>	
	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>30th September,</i>	<i>2004</i>
	<i>DKK</i>	<i>DKK</i>	<i>DKK</i>	<i>DKK</i>	<i>DKK</i>
	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>
Core income excluding trading income	1,795	1,846	1,865	1,422	1,453
Trading income.. .. .	451	515	638	475	522
Total core income.. .. .	<u>2,246</u>	<u>2,361</u>	<u>2,503</u>	<u>1,897</u>	<u>1,975</u>
Costs, amortisation and depreciation	(1,474)	(1,573)	(1,654)	(1,211)	(1,276)
Provisions for bad and doubtful debts	(260)	(299)	(300)	(226)	(200)
Core earnings	<u>512</u>	<u>489</u>	<u>549</u>	<u>460</u>	<u>499</u>
Profit/(loss) from investment portfolios	99	120	217	159	102
Profit on ordinary activities before tax	611	609	766	619	601
Gain on sale of Totalkredit	0	0	282	0	0
Pre-tax Profit	<u>611</u>	<u>609</u>	<u>1,048</u>	<u>619</u>	<u>601</u>
Tax	(156)	(195)	(376)	(208)	(192)
Profit after tax	<u>455</u>	<u>414</u>	<u>672</u>	<u>411</u>	<u>409</u>

Key Figures and Ratios

	<i>As at 31st December,</i>			<i>As at</i>	
	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>30th September,</i>	<i>2004</i>
	<i>DKK</i>	<i>DKK</i>	<i>DKK</i>	<i>DKK</i>	<i>DKK</i>
	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>
Total assets	66,048	66,792	73,457	68,721	69,535
Equity capital (including subordinated debt)	4,650	4,930	5,591	5,482	5,550
Return on average equity (before tax)	18.4%	17.8%	25.7%	20.5%	18.6%
Solvency ratio	10.4%	11.4%	11.1%	10.5%	10.1%
Core capital ratio (Tier 1).. .. .	7.8%	8.3%	8.9%	8.2%	8.1%
Loans	37,328	38,568	39,580	38,163	43,628
Deposits	31,640	33,369	37,796	35,719	40,970
Average number of full-time employees.. .. .	1,897	1,945	1,988	2,004	2,051

Outlook for 2004 as a whole

Performance and customer development was satisfactory in the first nine months of 2004. The Group's core earnings in the nine month period ended 30th September, 2004 have exceeded previous 2004 profit expectations. Therefore, the 2004 core earnings outlook is adjusted upwards and narrowed to DKK 625-675m.

Capital adequacy

The solvency ratio of the Sydbank Group was 10.1 per cent. at 30th September, 2004. At the same date, total risk capital including subordinated loans amounted to DKK 4,750 million (2003: DKK 4,815 million).

Sydbank seeks to maintain a core capital ratio in the area of 8 per cent. (30th September, 2004: 8.1 per cent. excluding the profit for the first 9 months) and a consolidated capital ratio not less than two per cent above this (30th September, 2004: 10.1 per cent. excluding the profit for the first 9 months).

In 1999, Sydbank reduced its share capital from DKK 871 million to DKK 825 million, in 2000, by a further DKK 40 million, in 2001, by a further DKK 35 million, and in 2004 by a further 25 million. The Bank's share capital currently is DKK 725 million.

The purpose of the reductions was to reduce the over-capitalisation of the Bank and to support shareholder value. The Board of Directors can, if so directed by the shareholder committee, increase the share capital by up to DKK 500 million (until 1st March, 2007).

At the Annual General Meeting on 7th September, 2004 it has been decided that the Bank's share capital shall be reduced by DKK 25m nominal from DKK 725m nominal to DKK 700m nominal. The capital reduction is effected through the cancellation of DKK 25m nominal of the Bank's portfolio of own holdings.

Loan and guarantee portfolio

The principal lending activity of Sydbank Group consists of loans and guarantees to private individuals and to a range of Danish corporate clients. As at 30th September, 2004, total loans and guarantees amounted to DKK 53,433 million.

The table below sets out the Sydbank Group's lending by client categories as a percentage of total lending at 31st December in each of the years indicated:

Sydbank Group loan and guarantee portfolio (per cent.)

	2001	2002	2003
	%	%	%
Agriculture	5	6	6
Fishing industry	0	0	0
Manufacturing	7	7	6
Building and construction	2	3	3
Trade, catering, hotels	10	11	10
Transport, mail and telephone services	5	3	3
Finance and insurance (including reverse repo transactions) ..	21	22	20
Administration, real estate and services.. .. .	10	14	14
Other corporate sectors.. .. .	9	2	5
Total business enterprises	69	68	67
Public sector	2	2	3
Private individuals	29	30	30
Total	100	100	100

The table below shows the breakdown of Sydbank A/S loans by remaining maturity at 31st December in each of the years indicated.

Sydbank A/S, loan maturity breakdown

	<i>2001</i> <i>DKK</i> <i>million</i>	<i>2002</i> <i>DKK</i> <i>million</i>	<i>2003</i> <i>DKK</i> <i>million</i>
On demand	2,677	4,488	4,965
Up to 3 months.. .. .	13,878	12,889	13,822
Over 3 months up to 1 year	13,445	14,212	14,851
Over 1 year up to 5 years	3,255	4,089	4,509
Over 5 years.. .. .	4,310	3,062	1,625
Total loans	37,565	38,740	39,772

The table below shows Sydbank A/S's loan and guarantee portfolio by size of commitment at 31st December, 2003.

Sydbank A/S, loan and guarantee portfolio as at 31st December, 2003

<i>Size DKK million</i>	<i>No. of</i> <i>commitments</i>	<i>In DKK</i> <i>million</i>	<i>As percentage</i> <i>of total</i>
0 – 1	79,054	11,744	24
1 – 10	5,494	9,782	20
10 – 100	634	10,217	21
100 –	89	17,387	35
Total	85,271	49,130	100

As at 31st December, 2003, the sum of large exposures (i.e. exposures greater than 10 per cent. of the Bank's capital base) as a percentage of the capital base was in the area of 79 per cent. According to legislation, the sum of large exposures must be below 800 per cent. of the capital base.

Sydbank has approximately 330,000 customers, of which around 20,000 are small, medium and large corporates.

Loans where the Bank has ceased to accrue interest ("non-performing loans") amounted, at 30th September, 2004, to DKK 144 million or 0.3 per cent. of the total loans (less reverse repos), guarantees and provisions.

The table below shows certain information in relation to the non-accruing loans of, and provisions made by, the Sydbank Group as at the end of each of the periods indicated.

Sydbank Group, coverage for non-accruing loans

	<i>2001</i> <i>DKK</i> <i>million</i>	<i>2002</i> <i>DKK</i> <i>million</i>	<i>2003</i> <i>DKK</i> <i>million</i>	<i>Q3 2003</i> <i>DKK</i> <i>million</i>	<i>Q3 2004</i> <i>DKK</i> <i>million</i>
Total non-performing loans	175	169	161	182	144
As a percentage of total loans (less reverse repos), guarantees and provisions	0.4	0.4	0.4	0.4	0.3
Total provisions	1,258	1,372	1,439	1,410	1,544
Accumulated loss provisions on loans and guarantees as a percentage of non-accruing loans at year end	718%	812%	896%	775%	1,072%

In calculating the necessary provisions to be made for non-accruing loans, the Sydbank Group makes both specific and general provisions to meet the general risk of its lending operations.

Lending and credit policy

The Bank seeks to manage its credit risk centrally with all credit approvals being subject to close supervision and a clearly defined approval process. In order to ensure this close supervision, written guidelines by way of an overall credit policy and a detailed procedures manual have been prepared.

The Credit Committee, which consists of the member of the Executive Management is responsible for credits and the General Manager and Assistant General Manager of credits, is responsible for all issues regarding credits and procedures manuals.

Credit risk models

The Group is continuously working to further develop the classification and rating models that are applied to evaluate and classify existing as well as potential retail and corporate exposures.

Model development is based on the recommendations submitted by the Basel Committee on the internal ratings-based approach to specialised lending exposures, which are expected to be implemented in a future Capital Adequacy Directive as from 1st January, 2007. The aim is to live up to the requirements as regards model application in connection with the calculation of the Group's solvency ratio (total capital).

Approval of exposures

The Executive Management has set out written approval authority to the individual employees. The approval authority has been adapted to the function and to the working experience of each employee.

Documentation relating to the debtor's affairs, including accounting information for corporate debtors, as well as a description of any security to be provided, must be provided as part of the credit approval process in respect of all exposures.

Supervision

In addition to the Bank's Internal Audit Department, the quality of the credit portfolio is monitored by Credit Follow-Up, a department organised under the Bank's Credit Department. The controllers of the Credit Department also supervise the documentary quality, perfection of security, registrations and administrative procedure manuals of the Bank.

Industry diversification

According to the Bank's credit policy, the Bank's corporate credit portfolio should reflect the commercial structure in the society and the individual industries. However, the composition of the portfolio should not deviate significantly from the industry spread of the financial institutions similar to the Bank.

The Bank's Credit Department continuously monitors the development of individual industries and re-evaluates once a year the limits of the Bank's total credit to the most significant types of industries.

Consolidation and large exposures

Exposures with inter-connected customers are considered as one. According to the Bank's credit policy, the Bank does not wish to depend on individual, large customers. Therefore, it has been decided that the 10 largest exposures (consolidated) should not exceed a maximum of 15 per cent. of the total credit portfolio.

Provisions

Sydbank's objective is always to maintain a large loan loss provision, which is sufficient through the different economic cycles. This means that large exposures are continuously evaluated with a view to assessing the provisioning need. Individual provisions taken on minor exposures are supplemented with general provisions.

Non-performing accounts

Non-performing accounts are defined as accounts on which the Bank does not, at the present time, expect to receive any future interest payments. Such exposures are transferred to the department for non-performing exposures of the Bank's Credit Department. Following this transfer, the exposure will be subjected to a specific valuation and where necessary written off.

Sources of funds

The Bank's principal source of funding is customer deposits which accounted for 59 per cent. of its total funds at 30th September, 2004. Other sources of funds include equity, subordinated debt and to interbank borrowings.

The table below sets out a breakdown of the Bank's sources of funding at the end of each of the periods indicated.

Sydbank Group funding sources

	2001		31st December, 2002		2003		30th September, 2004	
	DKK million	%	DKK million	%	DKK million	%	DKK million	%
Equity	3,435	5	3,577	5	4,331	6	4,288	6
Subordinated loans	1,215	2	1,353	2	1,260	2	1,262	2
Deposits	31,640	48	33,369	50	37,796	51	40,970	59
Core funding.. .. .	36,290	55	38,299	57	43,387	59	46,520	67
Senior debt	3,359	5	3,349	5	1,861	3	1,860	3
Interbank funding.. .. .	11,737	18	12,143	18	16,356	22	10,145	14
Other liabilities.. .. .	14,662	22	13,001	20	11,853	16	11,010	16
Market funding.. .. .	29,758	45	28,493	43	30,070	41	23,015	33
Total funds	66,048	100	66,792	100	73,457	100	69,535	100

Sydbank offers a range of deposit products. The maturity breakdown at the end of each of the periods indicated of these deposits is set out in the table below:

Sydbank Group deposits

	2001		31st December, 2002		2003		30th September, 2004	
	DKK million	%	DKK million	%	DKK million	%	DKK million	%
Deposits on demand	15,604	49	17,284	52	19,068	50	20,626	50
Deposits at notice.. .. .	2,797	9	3,098	9	3,203	8	3,203	8
Time deposits	5,987	19	5,792	17	7,940	21	9,733	24
Special deposits.. .. .	7,252	23	7,195	22	7,585	20	7,408	18
Total savings deposits	31,640	100	33,369	100	37,796	100	40,970	100

Management

The Bank's Board of Directors consists of 12 members. Sydbank's shareholders elect at a General meeting 76 representatives to a Shareholders' Committee. This Committee elects eight members to the Board of Directors and the staff elects four representatives to the Board of Directors. The business address of each of the Directors listed below is Peberlyk 4, PO Box 1038, DK 6200 Aabenraa, Denmark.

The Board of Directors comprises:

Kresten Philipsen, Lundtoftbjerg, Aabenraa
Chairman

Farmer, former County Mayor.

Christen Jessen, Holm, Nordborg
Vice-Chairman

Farmer

Otto Christensen, Vejle
General Manager

Vagn F. Christensen, Esbjerg
General Manager

Harry Max Friedrichsen, Stubbæk
Assistant Manager, elected by the staff

Jytte Jensen, Starup, Haderslev
Assistant Manager, elected by the staff

Jørgen Rud Juul Jørgensen, Nr. Åby
Farmer

Helmuth Kirsten, Rønshoved, Kruså
General Manager

Pernille Siesbye, Copenhagen
General Manager

Anders Thoustrup, Randers
General Manager

Jan Uldahl-Jensen, Kolding
Assistant Manager, elected by the staff

Margrethe Weber, Aabenraa
Bank Clerk, elected by the staff

The Board of Directors appoints the Board of Management, which comprises:

Carsten Andersen
Chief Executive

Chairman of the Boards of Directors of Ejendomsselskabet af 1. juni 1986 A/S and Bankdata.
Member of the Boards of Directors of PBS Holding A/S, Multidata Holding A/S, PBS International Holding A/S, PRAS A/S, SBK-Invest A/S, DMK-Holding A/S, the Danish Bankers Association, the Regional Bankers' Association, the Financial Sector's Training Centre and the International Chamber of Commerce (ICC).

Preben Lund Hansen

Assistant Chief Executive

Chairman of the Boards of Directors of SBK-Invest A/S and DMK-Holding A/S.

Vice-Chairman of the Board of Directors of DLR Kredit A/S.

Member of the Boards of Directors of Totalkredit A/S and the Danish Ship Finance.

Torben A. Nielsen

Assistant Chief Executive

Chairman of the Board of Directors of Sydbank (Schweiz) AG.

Member of the Board of Directors of BI Holding A/S.

Other senior officers:

Mogens Asmund	Head of Business Development, Communications and Cash Management
Niels Moellegaard	Head of Human Resource and IT
Leo Balle	Head of Credits
Mogens Sandbaek	Head of Accounting
Bent Nielsen	Head of Treasury
Jens F. Andresen	Head of International Division
Karen Froesig	Head of Legal Department
Jess Olsen	Head of Products
Lars Bolding	Head of Sydbank Markets – Trading
Allan Noerholm	Head of Sydbank Markets – Asset Management and Advisory
Joergen M. Madsen	Head of Sydbank Markets – Administration
Ole Kirkbak	Head of Internal Audit

**FINANCIAL STATEMENTS OF SYDBANK FOR THE YEAR ENDED
31ST DECEMBER, 2003**

Sydbank's Internal Audit

To the shareholders of Sydbank A/S

We have audited the annual report of Sydbank A/S for the financial year of 1st January – 31st December, 2003.

The Bank's Board of Directors and Executive Management are responsible for the annual report. Our responsibility is on the basis of our audit to express an opinion on the accounting disclosures contained in the annual report.

Basis of opinion

We have conducted our audit on the basis of the Executive Order of the Danish Financial Supervisory Authority on the performance of the audit in financial institutions and financial groups and in accordance with Danish Auditing Standards. During the audit, based on an evaluation of materiality and risk, we assessed procedures, the accounting policies applied and estimates made and examined the basis for the amounts and other financial disclosures in the annual report.

In our view the audit provides a sufficient basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the annual report gives a true and fair view of the Groups and the Parent Company's assets, liabilities and financial position at 31st December, 2003 and of the results of the Group's and the Parent Company's activities and of the Group's cash flows for the financial year of 1st January – 31st December, 2003 in accordance with the accounting provisions of Danish legislation.

Aabenraa, 16th February, 2004

Ole Kirkbak (Head of Internal Audit)

Auditors elected by the Annual General Meeting

To the shareholders of Sydbank A/S

We have audited the annual report of Sydbank A/S for the financial year of 1st January – 31st December, 2003.

The Bank's Board of Directors and Executive Management are responsible for the annual report. Our responsibility is on the basis of our audit to express an opinion on the accounting disclosures contained in the annual report.

Basis of opinion

We have conducted our audit in accordance with Danish Auditing Standards. These standards require that we plan and conduct the audit to obtain reasonable assurance that financial disclosures in the annual report are free of material misstatement. The audit has included examining, on a test basis, evidence supporting the amounts and disclosures in the annual report. The audit has moreover included assessing the accounting policies applied by the Board of Directors and Executive Management and significant accounting estimates made by the Board of Directors and Executive Management as well as evaluating the overall presentation of financial information included in the annual report. In our view the audit provides a sufficient basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the annual report gives a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31st December, 2003 and of the results of the Group's and the Parent Company's activities and of the Group's cash flows for the financial year 1st January – 31st December, 2003 in accordance with the accounting provisions of Danish legislation.

Aabenraa, 16th February, 2004

KPMG C. Jespersen

Statsautoriseret Revisionsinteressentskab

Sven Jørgensen

(State Authorized Public Accountant)

H. Martinsen

Statsautoriseret Revisionsaktieselskab

Svend Aage Nissen

(State Authorized Public Accountant)

The following tables (the Profit and Loss Account and the Balance Sheet and Off-balance Sheet Items) present financial information derived from the audited consolidated financial statements of the Group and non-consolidated financial statements of the Issuer as at and for each of the years ended, 31st December, 2002 and 31st December, 2003.

Profit and Loss Account

	<i>Sydbank Group</i>		<i>Sydbank A/S</i>	
	<i>Year ended</i>		<i>Year ended</i>	
	<i>31st December,</i>		<i>31st December,</i>	
	<i>2002</i>	<i>2003</i>	<i>2002</i>	<i>2003</i>
	<i>DKK</i>	<i>DKK</i>	<i>DKK</i>	<i>DKK</i>
	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>
Interest income	3,209	2,881	3,184	2,849
Interest expense	1,476	1,162	1,476	1,160
Net interest income	1,733	1,719	1,708	1,689
Dividends from shares	48	44	48	44
Fee and commission income	671	793	633	735
Fee and commission payable	71	72	69	73
Net interest and fee income	2,381	2,484	2,320	2,395
Market value adjustments of securities and foreign exchange income	72	498	69	503
Other operating income	36	21	22	11
Staff costs and administrative expenses	1,492	1,567	1,445	1,517
Depreciation of tangible assets	86	97	81	79
Other operating expenses	3	0	2	0
Provisions for bad and doubtful debts	299	300	291	288
Profit on holdings in associated and group undertakings	–	9	17	23
Profit on ordinary activities before tax	609	1,048	609	1,048
Tax	195	376	195	376
Profit for the year	414	672	414	672
Proposal for allocation of profits				
Profit for the year			414	672
Total amount to be allocated			414	672
Dividends			113	150
Allocated for other purposes			2	5
Profit retained			299	517
Total amount allocated			414	672

Balance Sheet and Off-balance Sheet Items

	Sydbank Group		Sydbank A/S	
	As at 31st December, 2002 DKK million	2003 DKK million	As at 31st December, 2002 DKK million	2003 DKK million
Assets				
Cash and balances on demand at central banks ..	727	575	727	571
Due from credit institutions and central banks ..	4,925	8,421	4,840	8,403
Loans and advances	38,568	39,580	38,740	39,772
Bonds	16,094	18,534	16,094	18,534
Shares, etc.	1,248	1,842	1,246	1,841
Interests in associated undertakings, etc.	195	185	195	185
Shares in group undertakings	–	–	127	83
Tangible assets	936	902	686	661
Own shares	59	204	59	204
Other assets	4,001	3,182	4,006	3,143
Prepayments and accrued income	39	32	39	31
Total assets	66,792	73,457	66,759	73,428
Liabilities				
Due to credit institutions and central banks	19,517	21,462	19,517	21,533
Deposits	33,369	37,796	33,422	37,795
Bonds issued.. .. .	1,856	1,861	1,856	1,861
Other liabilities.. .. .	6,943	6,598	6,899	6,545
Accruals and deferred income	43	46	1	0
Provisions for obligations	134	103	134	103
Subordinated capital (Tier 2)	1,353	1,260	1,353	1,260
Shareholders' equity (Tier 1):				
Share capital	750	750	750	750
Restricted savings bank reserve	361	366	361	366
Restricted reserve relating to subsidiaries	13	7	13	7
Reserve for own Shares.. .. .	59	204	59	204
Brought forward from prior years	2,095	2,487	2,095	2,487
Brought forward for the year.. .. .	299	517	299	517
Total shareholders' equity (Tier 1)	3,577	4,331	3,577	4,331
Total liabilities	66,792	73,457	66,759	73,428
Off-balance sheet items				
Guarantees, etc.	8,552	9,346	8,573	9,358
Other commitments	146	175	146	175
Total off-balance sheet items	8,698	9,521	8,719	9,533

Changes in capital

	<i>Sydbank Group</i>		<i>Sydbank A/S</i>	
	<i>As at 31st December,</i>		<i>As at 31st December,</i>	
	<i>2002</i>	<i>2003</i>	<i>2002</i>	<i>2003</i>
	<i>DKK</i>	<i>DKK</i>	<i>DKK</i>	<i>DKK</i>
	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>
Changes in capital				
Shareholders' equity at 1st January	3,435	3,577	3,435	3,577
Write-off of goodwill etc.	(157)	–	(157)	–
Revaluation of unlisted securities to fair value ..	–	237	–	237
	<hr/>	<hr/>	<hr/>	<hr/>
Adjusted shareholders' equity at 1st January.. ..	3,278	3,814	3,278	3,814
Profit for the year	414	672	414	672
Allocated for other purposes.. .. .	(2)	(5)	(2)	(5)
Dividend	(113)	(150)	(113)	(150)
	<hr/>	<hr/>	<hr/>	<hr/>
Total shareholders' equity (tier 1)	3,577	4,331	3,577	4,331
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Consolidated Cash Flow Statement

	<i>Sydbank Group</i>	
	<i>2002</i>	<i>2003</i>
	<i>DKK</i>	<i>DKK</i>
	<i>million</i>	<i>million</i>
Cash flow from operations:		
Operating activities:		
Net profit for the year	414	672
Provisions for bad and doubtful debts	299	300
Depreciation of tangible assets	86	97
Dividends to shareholders and allocated to other purposes	(115)	(155)
Capital flow from operations	684	914
Financing:		
Debt to credit institutions, net	(2,276)	(1,551)
Deposits	1,729	4,427
Bonds issued.. .. .	(3)	5
Other liability line items	1,035	(374)
Subordinated capital (tier 2)	138	(93)
Total financing	623	2,414
Total cash flow from operations	1,307	3,328
Cash inflow/(outflow) from:		
Cash balance, etc.	147	(152)
Loans and advances	1,539	1,312
Bond portfolio	(1,119)	2,440
Share portfolio	(338)	356
Holdings in associated and group undertakings	(87)	(10)
Tangible assets	77	63
Own shares	(76)	145
Other asset line items	1,007	(826)
Purchase of Egnsbank Fyn	157	-
Total cash inflow/(outflow)	1,307	3,328

The Sydbank Group Five Year Financial Ratios

	Year ended 31st December,				
	1999 DKK million	2000 DKK million	2001 DKK million	2002 DKK million	2003 DKK million
Profit and Loss Account					
Core income excluding trading income ..	1,511	1,697	1,795	1,846	1,865
Trading income.. .. .	430	539	451	515	638
Total core income.. .. .	1,941	2,236	2,246	2,361	2,503
Costs, amortisation and depreciation.. ..	1,327	1,386	1,474	1,573	1,654
Provisions for bad and doubtful debts ..	238	229	260	299	300
Core earnings	376	621	512	489	549
Profit from investment portfolios	103	54	99	120	217
Profit on ordinary activities before tax ..	479	675	611	609	766
Gain on sale of Totalkredit	–	–	–	–	282
Tax	147	106	156	195	376
Profit for the year.. .. .	332	569	455	414	672

	As at 31st December,				
	1999 DKK billion	2000 DKK billion	2001 DKK billion	2002 DKK billion	2003 DKK billion
Selected Balance Sheet Items					
Ordinary loans and advances.. .. .	27.1	31.5	32.7	33.9	34.9
Reverse repo loans and advances	3.8	3.5	4.6	4.7	4.7
Deposits	27.7	28.9	31.6	33.4	37.8
Bonds issued.. .. .	–	–	1.9	1.9	1.9
Subordinated capital (Tier 2)	0.9	0.9	1.2	1.3	1.3
Shareholders' equity (Tier 1).. .. .	2.9	3.2	3.4	3.6	4.3
Total assets	53.8	59.8	66.0	66.8	73.5
Guarantees etc... .. .	6.0	6.5	7.5	8.6	9.3

Financial Ratios and Key Figures

The Sydbank share (DKK per share)

Profit for the year.. .. .	39.2	70.7	59.3	55.1	89.6
Dividend	12	15	15	15	20
Share price at year-end.. .. .	305	310	430	490	803
Book value	350	410	458	477	578
Share price/book value	0.87	0.76	0.94	1.03	1.39

Sydbank Group

Solvency ratio (%)	10.3	10.0	10.4	11.4	11.1
Core capital ratio (Tier 1) (%)	7.9	7.9	7.8	8.3	8.9
Pre-tax profit as % of average shareholders' equity	16.9	22.1	18.4	17.8	25.7
Post-tax profit as % of average shareholders' equity	11.7	18.6	13.7	12.1	16.5
Income/cost ratio (DKK)	1.31	1.42	1.35	1.32	1.53
Number of full-time employees at year- end	1,905	1,916	1,897	1,945	1,988

**FINANCIAL STATEMENTS OF SYDBANK FOR NINE MONTH PERIOD
ENDED 30TH SEPTEMBER, 2004**

The following table presents financial information in summarised form derived from the unaudited interim consolidated financial statements of Sydbank as of and for the nine months ended 30th September, 2003 and 2004.

SYDBANK GROUP

	<i>Nine months ended</i> <i>30th September,</i>		<i>Year</i> <i>ended 31st</i> <i>December,</i>
	<i>2004</i>	<i>2003</i>	<i>2003</i>
	<i>DKK</i>	<i>DKK</i>	<i>DKK</i>
	<i>million</i>	<i>million</i>	<i>million</i>
Profit and loss account			
Interest income.. .. .	1,980	2,216	2,881
Interest expense	762	906	1,162
Net interest income	1,218	1,310	1,719
Dividends from shares	47	37	44
Fee and commission income	656	586	793
Fee and commission expense.. .. .	68	54	72
Net interest and fee income	1,853	1,879	2,484
Market value adjustments of securities and foreign exchange income	207	167	498
Other operating income	24	19	21
Staff costs and administrative expenses	1,229	1,152	1,567
Depreciation of tangible assets	53	62	97
Other operating expenses	0	3	0
Provisions for bad and doubtful debts	200	226	300
Profit/(Loss) on holdings in associated and group undertakings.. .. .	(1)	(3)	9
Pre-tax profit on ordinary activities	601	619	1,048
Tax	192	208	376
Post-tax profit	409	411	672
Balance sheet end of period (DKKm)			
Assets			
Cash and balances on demand at central banks.. .. .	727	803	575
Amounts owed by credit institutions and central banks	6,373	4,116	8,421
Loans and advances	43,628	38,163	39,580
Bonds	13,003	19,341	18,534
Shares etc.	1,972	1,783	1,842
Interests in associated undertakings etc.	185	172	185
Tangible assets	828	904	902
Own shares	73	55	204
Other assets	2,706	3,348	3,182
Prepayments and accrued income	40	36	32
Total assets	69,535	68,721	73,457
Liabilities			
Amounts owed to credit institutions and central banks	14,289	18,693	21,462
Deposits	40,970	35,719	37,796
Bonds issued.. .. .	1,860	1,856	1,861
Other liabilities.. .. .	6,709	6,783	6,598
Accruals and deferred income	47	54	46
Provisions for obligations	110	134	103
Subordinated capital (Tier 2)	1,262	1,257	1,260
Shareholders' equity (Tier 1).. .. .	4,288	4,225	4,331
Total liabilities	69,535	68,721	73,457

SYDBANK GROUP

	<i>As at 30th September, 2004 DKK million</i>	<i>2003 DKK million</i>	<i>As at 31st December, 2003 DKK million</i>
Off-balance sheet items			
Guarantees etc	9,805	9,326	9,346
Other commitments	107	163	175
Total off-balance sheet items	9,912	9,489	9,521
Shareholders' equity (Tier 1)			
Changes in capital:			
Shareholders' equity (Tier 1) at 1 January.. .. .			
Revaluation of unlisted securities to fair value	4,331	3,577	3,577
	-	237	237
Adjusted shareholders' equity (Tier 1) at 1 January	4,331	3,814	3,814
Allocated for other purposes.. .. .	-	-	(5)
Dividends	-	-	(150)
Profit for the period	409	411	672
Capital reduction from DKK 750 million nominal to DKK 725 million nominal (registered)	(222)	-	-
Capital reduction from DKK 725 million nominal to DKK 700 million nominal (not registered)	(230)	-	-
Total shareholders' equity (Tier 1)	4,288	4,225	4,331

Share capital consists of 7,250,000 shares at a nominal value of DKK 100 each or a total of DKK 725m.

Solvency (excluding profit for the period)

Composition of capital and weighted items:

Core capital (Tier 1) after deductions	3,805	3,760	4,127
Capital base (Tiers 1+2) after deductions	4,750	4,815	4,688
Weighted items outside the trading portfolio.. .. .	42,936	39,512	40,711
Weighted items with market risk etc	4,273	6,319	5,894
Total weighted items.. .. .	47,209	45,831	46,605
Solvency ratio (total capital) (%)	10.1	10.5	11.1
Core capital ratio (Tier 1) (%)	8.1	8.2	8.9

SYDBANK GROUP FINANCIAL HIGHLIGHTS

	<i>Q1</i> 2003	<i>Q2</i> 2003	<i>Q3</i> 2003	<i>Q4</i> 2003	<i>Q1</i> 2004	<i>Q2</i> 2004	<i>Q3</i> 2004	<i>Full</i> <i>year</i> 2003
Profit and loss account (DKKm)								
Core income excl trading income ..	478	481	463	443	479	486	488	1,865
Trading income.. .. .	149	171	155	163	231	145	146	638
Total core income.. .. .	627	652	618	606	710	631	634	2,503
Costs and depreciation	418	394	399	443	432	418	426	1,654
Provisions for bad and doubtful debts	74	75	77	74	75	73	52	300
Core earnings	135	183	142	89	203	140	156	549
Profit/(Loss) from investment portfolios	38	98	23	58	90	(16)	28	217
Profit before Totalkredit gain	173	281	165	147	293	124	184	766
Gain on sale of Totalkredit	-	-	-	282	-	-	-	282
Pre-tax profit	173	281	165	429	293	124	184	1,048
Tax	55	98	55	168	90	38	64	376
Post-tax profit	118	183	110	261	203	86	120	672
Balance sheet end of period (DKKbn)								
Ordinary loans and advances.. .. .	34.1	34.7	33.7	34.9	35.9	37.5	37.2	34.9
Reverse repo loans and advances ..	5.0	4.7	4.5	4.7	5.9	6.3	6.4	4.7
Deposits	35.0	35.5	35.7	37.8	37.0	41.5	41.0	37.8
Bonds issued.. .. .	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Subordinated capital (Tier 2)	1.8	1.5	1.3	1.3	1.3	1.3	1.3	1.3
Shareholders' equity (Tier 1).. .. .	3.9	4.1	4.2	4.3	4.3	4.4	4.3	4.3
Total assets	69.8	69.8	68.7	73.5	69.9	69.2	69.5	73.5
Guarantees etc	8.6	9.1	9.3	9.3	9.4	10.2	9.8	9.3
Financial ratios and key figures								
The Sydbank share (DKK per share)								
Pre-tax profit	23.1	37.4	22.0	57.2	39.0	16.8	25.5	139.7
Post-tax profit	15.7	24.4	14.7	34.8	27.1	11.7	16.6	89.6
Share price end of period	511	687	670	803	870	895	939	803
Book value	524	549	563	578	575	607	591	578
Share price/book value	0.97	1.25	1.19	1.39	1.51	1.48	1.59	1.39
Sydbank Group								
Solvency ratio (total capital) (%) ..	12.3	10.5	10.5	11.1	10.2	10.1	10.1	11.1
Core capital ratio (Tier 1) (%)	8.3	7.9	8.2	8.9	8.3	8.1	8.1	8.9
Pre-tax profit as % of avg shareholders' equity p.a.	17.9	27.9	15.8	40.1	27.1	11.4	17.0	25.7
Post-tax profit as % of avg shareholders' equity p.a.	12.2	18.2	10.6	24.4	18.8	7.9	11.1	16.5
Income/cost ratio (DKK)	1.35	1.60	1.35	1.82	1.57	1.25	1.39	1.53
Interest rate risk	5.3	5.3	3.6	4.8	5.3	2.4	3.2	4.8
Foreign exchange risk	0.1	0.1	0.0	0.1	0.1	0.0	0.0	0.1
Provisioning ratio	2.9	2.8	2.9	2.9	2.8	2.7	2.8	2.9
Write-off and provisioning ratio p.a. for the period	0.6	0.6	0.6	0.6	0.6	0.6	0.4	0.6
Full-time staff end of quarter	1,959	1,979	2,004	1,988	1,991	2,024	2,051	1,988

TAXATION

Danish Taxation

Under existing Danish tax laws all payments in respect of the Capital Securities will be made without deduction for, or on account of, withholding taxes except in certain cases on payments in respect of controlled debt in relation to the Issuer as referred to in Act No. 221 of 31st March, 2004. This will not have any impact on Holders who are not in a relationship whereby they control, or are controlled by, the Issuer.

Under present Danish law when Capital Securities are issued in euro (or in any other currency than DKK) private investors domiciled or deemed to be domiciled in the Kingdom of Denmark are (save for certain exceptions) liable to pay tax on capital gains realised from the sale of the Capital Securities.

Under present Danish law, persons who are engaged in financial trade, and companies, trusts and similar enterprises domiciled or deemed to be domiciled in the Kingdom of Denmark for tax purposes are liable to pay tax on capital gains realised from the redemption or sale of Capital Securities and on the payments of interest under Capital Securities irrespective of the currency of the Capital Securities.

Netherlands Taxation

General

The following summary describes the principal Netherlands tax consequences of the acquisition, holding, redemption and disposal of Capital Securities. This summary does not purport to be a comprehensive description of all Netherlands tax considerations that may be relevant to a decision to acquire, to hold, and to dispose of the Capital Securities. Each prospective holder of Capital Securities should consult a professional adviser with respect to the tax consequences of an investment in the Capital Securities. The discussion of certain Netherlands taxes set forth below is included for general information purposes only.

Except as otherwise indicated, this summary only addresses the Netherlands tax legislation, as in effect and in force at the date hereof, as interpreted in published case law, without prejudice to any amendments introduced at a later date and implemented with or without retroactive effect.

This summary does not address the Netherlands tax consequences of a holder of Capital Securities who holds a substantial interest (*aanmerkelijk belang*) in the Issuer, within the meaning of Section 4.3 of the Income Tax 2001. Generally speaking, a holder of Capital Securities holds a substantial interest in the Issuer if such holder, alone or together with his or her partner (statutorily defined term) or certain other related persons, directly or indirectly, holds (i) an interest of 5 per cent. or more of the total issued capital of the Issuer or of 5 per cent. or more of the issued capital of a certain class of shares of the Issuer, (ii) rights to acquire, directly or indirectly, such interest or (iii) certain profit sharing rights in the Issuer.

For the purpose of the principal Netherlands tax consequences described herein, it is assumed that the Issuer is neither a resident nor deemed to be a resident of the Netherlands for Netherlands tax purposes.

Dutch income tax and corporate income tax

Dutch resident individuals

As a general rule, individuals who are resident or deemed to be resident in the Netherlands for Dutch tax purposes (“Dutch resident individual”) will be taxed annually on a deemed income of 4% of their net investment assets at an income tax rate of 30 per cent. The net investment assets for the year are the average of the investment assets less the attributable liabilities at the beginning and at the end of the relevant year. The value of the Capital Securities is included in the calculation of the net investment assets. A tax-free allowance for the first €19,252 (€38,504 for partners (statutorily defined term)) of the net investment assets may be available. Actual benefits derived from the Capital Securities and any capital gains realised upon the disposal of Capital Securities are not as such subject to Dutch income tax.

However, if the shares are attributable to an enterprise from which a Dutch resident individual derives a share of the profit, whether as an entrepreneur or as a person who has a co-entitlement to the net worth of such enterprise without being a shareholder, any benefit derived or deemed to be derived from the Capital Securities, including any capital gains realised upon the disposal thereof, are generally subject to income tax at a progressive rate with a maximum of 52 per cent. Benefits derived from the Capital Securities where a Dutch resident individual carries out activities that exceed regular portfolio asset management are subject to the same progressive rate.

Dutch resident entities

Any benefit derived or deemed to be derived from the Capital Securities held by entities, resident in the Netherlands for Dutch tax purposes (“Dutch resident entities”), including any capital gains realised upon the disposal thereof, is generally subject to corporate income tax at a rate of 34.5 per cent.

A Dutch qualifying pension fund is not subject to corporate income tax with respect to any benefits derived from the Capital Securities, unless these benefits can be considered to have been derived from certain activities that will be designated by a decree that has yet to be published. A qualifying Dutch resident investment fund (“*fiscale beleggingsinstelling*”) is subject to corporate income tax at a special rate of 0 per cent.

Gift and Inheritance Taxes for Netherlands resident holders of Capital Securities

Generally, gift and inheritance taxes will be due in the Netherlands in respect of the acquisition of the Capital Securities by way of a gift by, or on the death of, a holder of Capital Securities who is a resident or deemed to be a resident of the Netherlands for the purposes of Netherlands gift and inheritance tax at the time of the gift or his or her death.

An individual with Netherlands nationality is deemed to be a resident of the Netherlands for the purposes of gift and inheritance tax, if he or she has been resident in the Netherlands during the ten years preceding the gift or his death. An individual of any other nationality is deemed to be a resident of the Netherlands for the purposes of the Netherlands gift and inheritance tax only if he or she has been residing in the Netherlands at any time during the 12 months preceding the time of the gift.

Other taxes

No Dutch capital tax, transfer tax or stamp duty or any other similar documentary tax or duty will be payable in the Netherlands in respect of or in connection with the subscription, issue, placement, allotment or delivery of the Capital Securities.

EU Savings Directive

On 3rd June, 2003, the European Council of Economics and Finance Ministers adopted a Directive on the taxation of savings income. Under the Directive Member States will (if equivalent measures have been introduced by certain non-EU countries) be required, from 1st July, 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria will instead be required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries).

SUBSCRIPTION AND SALE

ABN AMRO BANK N.V. (the **Lead Manager**) has, pursuant to a Subscription Agreement (the **Subscription Agreement**) dated 22nd November, 2004, agreed to subscribe or procure subscribers for the Capital Securities at the issue price of 100 per cent. of the principal amount of Capital Securities, less a combined selling commission and management and underwriting commission of 2 per cent. of the principal amount of the Capital Securities. The Issuer will also reimburse the Lead Manager in respect of certain of its expenses, and has agreed to indemnify the Lead Manager against certain liabilities, incurred in connection with the issue of the Capital Securities. The Subscription Agreement may be terminated in certain circumstances prior to payment of the Issuer.

United States

The Capital Securities have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

The Capital Securities are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

The Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Capital Securities (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the Closing Date within the United States or to, or for the account or benefit of, U.S. persons and that it will have sent to each dealer to which it sells any Capital Securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Capital Securities within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of Capital Securities within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

United Kingdom

The Lead Manager has represented and agreed that, except as permitted by the Subscription Agreement:

- (a) it has not offered or sold and, prior to the expiry of the period of six months from the Closing Date, will not offer or sell any Capital Securities to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended);
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue of the Capital Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Capital Securities in, from or otherwise involving the United Kingdom.

Kingdom of Denmark

The Lead Manager has represented and agreed that it has not offered or sold, and will not offer, sell or deliver any Capital Securities directly or indirectly in the Kingdom of Denmark by way of public offer, other than in compliance with Consolidated Danish Act No. 1269 of 19th December, 2003 as amended on Trading in Securities etc. and Executive Orders issued thereunder.

General

No action has been taken by the Issuer or the Lead Manager that would, or is intended to, permit a public offer of the Capital Securities in any country or jurisdiction where any such action for that purpose is required. Accordingly, the Lead Manager has undertaken that it will not, directly or indirectly, offer or sell any Capital Securities or distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Capital Securities by it will be made on the same terms.

GENERAL INFORMATION

Sydbank's Legal Status

1. Sydbank operates under the Danish Financial Business Act (Consolidated Act No. 686 of 25th June, 2004).

Sydbank's Objects

2. Pursuant to Article 1(3) of Sydbank's Articles of Association, its objects are to conduct banking business, including the performance of functions in connection with the transfer of money, credit instruments and securities and any related services.

Sydbank's Registration Number

3. Sydbank A/S's registration number is CVR no. 12626509.

Authorisation

4. The issue of the Capital Securities was duly authorised by a resolution of the Board of Directors of the Issuer dated 25th October, 2004.

Listing

5. Application has been made to list the Capital Securities on the Luxembourg Stock Exchange. A legal notice relating to the issue of the Capital Securities and the constitutional documents of the Issuer are being lodged with the Luxembourg trade and companies register (*Registre de commerce et des sociétés, Luxembourg*) where such documents may be examined and copies obtained.

Clearing Systems

6. The Capital Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN for this issue is XS0205055675 and the Common Code is 020505567. The Amsterdam Security Code for the Capital Securities is 15039.

No significant change

7. Save as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of the Issuer and its subsidiaries (the **Group**) since 30th September, 2004 and there has been no material adverse change in the financial position or prospects of the Group since 31st December, 2003.

Litigation

8. Neither the Issuer nor any other member of the Group is involved in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer is aware) which may have or have had in the 12 months preceding the date of this document a significant effect on the financial position of the Issuer or the Group.

Accounts

9. The auditors of the Issuer are KPMG C. Jespersen and H. Martinsen, State-authorized public accountants, who have audited the Issuer's accounts, without qualification, in accordance with generally accepted auditing standards in the Kingdom of Denmark for each of the three financial years ended on 31st December, 2003.

U.S. tax

10. The Capital Securities and Coupons will contain the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

Documents

11. Copies of the following documents will be available free of charge from the specified offices of the Paying Agents so long as any of the Capital Securities remains outstanding:
 - (a) the articles of association (with an English translation thereof) of the Issuer;
 - (b) the consolidated, audited financial statements of the Issuer in respect of the financial years ended 31st December, 2002 and 2003 (with an English translation thereof). The Issuer currently prepares audited, consolidated and non-consolidated accounts on an annual basis;
 - (c) the most recently published audited annual financial statements of the Issuer and the most recently published unaudited interim financial statements of the Issuer (with an English translation thereof). The Issuer currently prepares unaudited, consolidated and non-consolidated interim accounts on a three monthly basis; and
 - (d) the Subscription Agreement and the Agency Agreement.

THE ISSUER

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