

2010 Annual Report

Sydbank

Sydbank

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Group Financial Highlights

	2010	2009	Index 10/09	2008	2007	2006
Income statement (DKKm)						
Core income excl trading income	3,304	3,320	100	3,066	2,539	2,298
Trading income	1,290	1,266	102	1,159	1,488	1,319
Total core income	4,594	4,586	100	4,225	4,027	3,617
Costs, core earnings	2,479	2,466	101	2,484	2,200	2,030
Core earnings before impairment	2,115	2,120	100	1,741	1,827	1,587
Impairment of loans and advances etc	1,400	1,195	117	544	(568)	(171)
Core earnings	715	925	77	1,197	2,395	1,758
Profit/(Loss) on investment portfolios	227	430	-	(385)	(193)	173
Profit before non-recurring items	942	1,355	70	812	2,202	1,931
Non-recurring items, net	-	86	-	162	55	120
Profit before contribution to the Private Contingency Association etc	942	1,441	65	974	2,257	2,051
Contribution to the Private Contingency Association etc	384	443	87	163	-	-
Profit before tax	558	998	56	811	2,257	2,051
Tax	147	217	68	205	547	537
Profit for the year	411	781	53	606	1,710	1,514
Balance sheet highlights (DKKbn)						
Loans and advances at amortised cost	73.0	74.5	98	82.5	74.5	65.5
Loans and advances at fair value	10.7	12.9	83	13.3	8.6	7.7
Deposits and other debt	64.2	68.8	93	75.0	66.0	50.0
Bonds issued at amortised cost	11.2	8.6	130	10.1	10.1	10.0
Subordinated capital	2.3	3.1	74	4.2	3.8	3.5
Shareholders' equity	9.6	9.1	105	7.1	6.7	6.3
Total assets	150.8	157.8	96	156.0	132.3	114.8
Financial ratios per share (DKK per share of DKK 10)						
EPS Basic	5.6	11.7		9.5	25.6	22.1
EPS Diluted	5.6	11.7		9.5	25.6	22.1
Share price at year-end	151.3	133.8		64.3	219.3	270.0
Book value	129.8	124.1		112.5	104.6	92.1
Share price/book value	1.17	1.08		0.57	2.10	2.93
Average number of shares outstanding (in millions)	73.5	66.9		63.4	66.7	68.5
Proposed dividend	1.0	-		-	3.0	3.0
Other financial ratios and key figures						
Solvency ratio	15.4	15.2		14.7	11.9	11.8
Core capital ratio	14.3	13.1		10.8	8.9	9.0
Pre-tax profit as % of average shareholders' equity	6.0	12.3		11.8	34.6	36.2
Post-tax profit as % of average shareholders' equity	4.4	9.6		8.8	26.2	26.7
Costs (core earnings) as % of core income	54.0	53.8		58.8	54.6	56.1
Interest rate risk	1.5	1.0		1.4	2.6	2.0
Foreign exchange position	1.2	1.1		11.4	1.7	10.3
Foreign exchange risk	0.0	0.0		0.0	0.0	0.1
Loans and advances relative to deposits	1.0	1.0		1.0	1.0	1.2
Loans and advances relative to shareholders' equity	7.6	8.2		11.6	11.1	10.3
Growth in loans and advances for the year	(2.0)	(9.6)		10.7	13.7	22.4
Excess cover relative to statutory liquidity requirements	106.3	94.4		89.4	103.1	74.0
Total large exposures	54.4	17.2		23.8	46.4	34.7
Accumulated impairment ratio excl PCA	2.0	1.7		1.0	1.0	1.7
Impairment ratio for the year excl PCA	1.7	1.3		0.6	(0.7)	(0.2)
Number of full-time staff at year-end	2,284	2,369	96	2,479	2,276	2,190

Financial ratio definitions on page 69.

As from 2008 solvency and core capital ratios calculated in accordance with the new capital adequacy requirements.

Summary

The Sydbank Group has generated a profit before tax of DKK 558m. The result is considered to be acceptable given the difficult economic situation. The result equals a return of 6.0% on average shareholders' equity.

The financial statements are characterised by:

- Unchanged level of core income excl trading income
- Slight rise in trading income
- Unchanged level of costs (core earnings)
- Unchanged core earnings before impairment
- Impairment charges for loans and advances of DKK 1,400m
- Profit on investment portfolios of DKK 227m
- Contribution of DKK 384m to the Private Contingency Association
- 2% reduction in bank loans and advances to DKK 73.0bn
- 7% decline in deposits to DKK 64.2bn
- Rise of DKK 436m in shareholders' equity to DKK 9.6bn
- Core capital ratio of 14.3%
- Solvency ratio of 15.4%
- Individual solvency need of 9.6%
- Dividend of DKK 1 per share – a total of DKK 74m.

Core earnings before impairment represent DKK 2,115m, an unchanged level compared with DKK 2,120m in 2009. The unchanged level of core earnings before impairment reflects a reduction in core income excl trading income of DKK 16m, a rise in trading income of DKK 24m and an increase in costs (core earnings) of DKK 13m.

Core earnings before impairment are at the low end of the projected level announced in the Interim Report – Q1-Q3 2010. This can be ascribed to lower trading income in Q4 2010.

Impairment charges for loans and advances represent DKK 1,400m against DKK 1,195m in 2009. This level exceeds the Group's expectations at the beginning of the year. The ordinary inspection conducted by the Danish FSA of the Group's lending portfolio was concluded at the end of Q3 2010, and the Danish FSA assesses that the Group's overall level of impairment charges is satisfactory. The development in Q4 2010 has been affected by a more cautious approach adopted by the Bank as regards impairment charges for certain bank loans and advances. Consequently the increase does not reflect a deterioration in credit quality. Moreover the level reflects the situation in the real economy.

Investment portfolio earnings constitute DKK 227m compared with DKK 430m in 2009.

The contribution to the Private Contingency Association totals DKK 384m (2009: DKK 443m).

Following a tax charge of DKK 147m, profit for the year constitutes DKK 411m. In 2009 profit for the year amounted to DKK 781m. Profit for the year for 2010 equals a return on average shareholders' equity of 4.4% (2009: 9.6%) and earnings per share has declined from DKK 11.7 to DKK 5.6 in 2010.

During the year, shareholders' equity grew by DKK 436m to DKK 9,554m. The capital structure was strengthened during the year and core capital currently accounts for 93.2% of the total capital base against 86.6% at the beginning of the year.

Summary income statement

Group (DKKm)	2010	2009
Core income excl trading income	3,304	3,320
Trading income	1,290	1,266
Total core income	4,594	4,586
Costs, core earnings	2,479	2,466
Core earnings before impairment	2,115	2,120
Impairment of loans and advances etc	1,400	1,195
Core earnings	715	925
Profit/(Loss) on investment portfolios	227	430
Profit before non-recurring items	942	1,355
Non-recurring items, net	-	86
Profit before contribution to the Private Contingency Association etc	942	1,441
Contribution to the Private Contingency Association etc	384	443
Profit before tax	558	998
Tax	147	217
Profit for the year	411	781

Summary

The Group's solvency ratio stands at 15.4%, including a core capital ratio of 14.3%. At the beginning of the year, the solvency ratio stood at 15.2% and the core capital ratio stood at 13.1%.

Risk-weighted assets went down from DKK 77.9bn to DKK 73.7bn at year-end 2010. The decrease is solely ascribable to declining credit risk, due in part to a reduction in loans and advances and guarantees as well as a positive trend in the average rating of exposures comprised by the IRB approach.

At 30 September 2010 the Group changed the method for determining its individual solvency need. After this date the individual solvency need is determined on the basis of an economic capital model and a buffer is added to allow for model and rating uncertainty as well as additional risks. At 31 December 2010 the individual solvency need represents 9.6% against 9.0% at year-end 2009.

The Group's internal capital target continues to represent DKK 9,900m, equal to 13.4% of risk-weighted assets.

The Group's liquidity measured under the 15% and 10% statutory requirements constitutes 33.0% and 20.6%, respectively, at year-end 2010.

The Board of Directors recommends to the general meeting that 18% of the Group's profit be distributed in dividends, corresponding to DKK 1 per share or a total of DKK 74m, and DKK 10m be paid to the sponsorship fund Sydbank Fonden.

Assuming that economic trends remain weak, the Group projects core earnings before impairment charges for loans and advances in the region of DKK 1.7-2.0bn in 2011.

Performance in 2010

Core income excl trading income

Total core income excl trading income decreased by DKK 16m to DKK 3,304m.

Core income excl trading income		
Group (DKKm)	2010	2009
Interest margins etc	2,757	2,776
Mortgage credit	210	221
Payment services	153	159
Remortgaging and loan fees	90	83
Other commission	71	59
Other operating income	23	22
Total	3,304	3,320

Income from interest margins fell by DKK 19m due to a 2% decline in bank loans and advances, a 7% decrease in deposits as well as higher interest expenses concerning longer-term funding since September 2010.

After a set-off of loss of DKK 17m (2009: DKK 8m) net income from the cooperation with Totalkredit represents DKK 167m (2009: DKK 160m). The cooperation with DLR Kredit has generated an income of DKK 34m (2009: DKK 52m). Total mortgage credit income amounts to DKK 210m (2009: DKK 221m).

In 2010 the remaining income components increased by a total of DKK 14m or 4% compared with 2009.

Trading income

Securities trading remained at a high level in 2010 and the favourable developments in retail and institutional segments have continued. In Q4 2010 the bond and fixed income departments were hit by a sharp rise in long-term interest rates as well as derived effects of the crisis in European peripheral countries. Foreign exchange and derivatives trading has stabilised at a lower level. The positive trend within Asset Management is attributable to a greater demand for the Bank's asset management products in general – including in particular units – by existing clients as well as the many new clients the Group has welcomed during the year. Furthermore the year's decent returns have made a substantial contribution to the increase in assets under management.

Trading income

Group (DKKm)	2010	2009
Bonds	273	292
Shares	273	258
Foreign exchange	217	234
Money market	107	178
Asset management	420	304
Total	1,290	1,266

Costs and depreciation

The Group's total costs and depreciation recorded DKK 2,717m against DKK 2,746m in 2009. This includes a guarantee commission of DKK 227m to the Private Contingency Association etc (2009: DKK 270m).

The level of costs (core earnings) remains unchanged for the third consecutive year as a result of higher productivity and efficiency measures as well as a continued decline in staff.

Costs and depreciation

Group (DKKm)	2010	2009
Staff costs	1,453	1,454
Other administrative expenses	900	887
Depreciation and impairment of property, plant and equipment	153	135
Other operating expenses	211	270
Total	2,717	2,746
Distributed as follows:		
Costs, core earnings	2,479	2,466
Costs, investment portfolio earnings	10	10
Costs, guarantee commission to the Private Contingency Association	227	270

Costs (core earnings) as a percentage of total core income are at an unchanged level and represent 54.0% in 2010 against 53.8% in 2009.

At year-end 2010 the Group's staff numbered 2,284 (full-time equivalent) compared with 2,369 in 2009.

Sydbank closed eight small branches in 2010, bringing the number of branches to 102 in Denmark and three in Germany.

Core earnings before impairment of loans and advances

The level of core earnings before impairment of loans and advances remains unchanged at DKK 2,115m (2009: DKK 2,120m).

Performance in 2010

Impairment of loans and advances etc

Impairment charges for loans and advances represent DKK 1,400m against DKK 1,195m in 2009. This level exceeds the Group's expectations at the beginning of the year.

The ordinary inspection conducted by the Danish FSA of the Group's lending portfolio was concluded at the end of Q3 2010, and the Danish FSA assesses that the Group's overall level of impairment charges is satisfactory.

The development in Q4 2010 has been affected by a more cautious approach adopted by the Bank as regards impairment charges for certain bank loans and advances. Consequently the increase does not reflect a deterioration in credit quality. Moreover the level reflects the situation in the real economy.

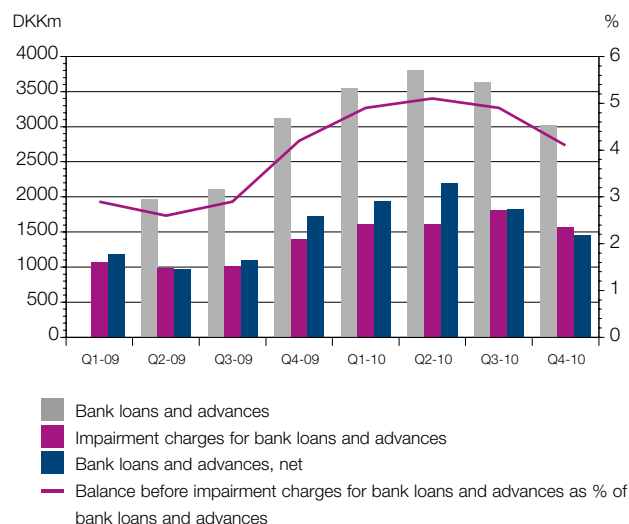
The impairment charges are predominantly ascribable to the Group's highly-diversified corporate lending portfolio.

As at 31 December 2010 the impairment ratio (excl impairment charges for the year of DKK 157m concerning the Private Contingency Association) represents 1.89% relative to bank loans and advances and 1.67% relative to bank loans and advances and guarantees.

The total provision of DKK 377m for the Private Contingency Association was written off in Q4 2010. At year-end 2010 accumulated impairment and provisions amount to DKK 1,763m. Excluding the provision for the Private Contingency Association at year-end 2009, the rise constitutes DKK 205m compared with the beginning of the year.

Individually impaired bank loans and advances increased up to and including Q2 2010. In Q3 and Q4 2010 individually impaired bank loans and advances declined significantly, as did the share of impaired bank loans and advances before impairment charges.

Individually impaired bank loans and advances



Impaired bank loans and advances before impairment charges declined by DKK 106m to 3,020m (2009: DKK 3,126m) during the year. The defaulted share of individually impaired bank loans and advances at year-end 2010 decreased to DKK 1,289m (2009: DKK 1,740m) and the non-defaulted share rose to DKK 1,731m (2009: DKK 1,386m). Individually impaired bank loans and advances after impairment charges fell by DKK 274m to DKK 1,455m during the year. At year-end 2010 impairment charges for bank loans and advances subject to individual impairment represent 51.8% (2009: 44.7%) of impaired bank loans and advances.

Individually impaired bank loans and advances

Group (DKKm)	2010	2009
Non-defaulted bank loans and advances	1,731	1,386
Defaulted bank loans and advances	1,289	1,740
Impaired bank loans and advances	3,020	3,126
Impairment charges for bank loans and advances subject to individual impairment	1,565	1,397
Impaired bank loans and advances after impairment charges	1,455	1,729
Impaired bank loans and advances as % of bank loans and advances before impairment charges	4.0	4.1
Impairment charges as % of bank loans and advances before impairment charges	2.1	1.9
Impaired as % of impaired bank loans and advances	51.8	44.7

Core earnings

Core earnings represent DKK 715m compared with DKK 925m in 2009.

Investment portfolio earnings

Less funding charges and less related costs of DKK 10m, investment portfolio earnings constitute DKK 227m (2009: DKK 430m).

Contribution to the Private Contingency Association

Guarantee commission and the provision for the guarantee to the Private Contingency Association amount to DKK 211m and DKK 157m, respectively, totalling DKK 368m for 2010. In addition DKK 16m has been charged to income to cover the expected payment to the Deposit Guarantee Fund regarding the bankruptcy of Capinordic Bank.

According to the preliminary calculations of the Financial Stability Company, the guarantee of the Private Contingency Association, which covers the losses from DKK 0-10bn, will be paid in full. This is why the Group, as mentioned above, decided to write off the provision of DKK 377m for the Private Contingency Association in Q4 2010. The amount is expected to be paid in early 2011.

Losses exceeding DKK 10bn will be covered by the guarantee commission of DKK 15bn that the banks have paid under the

general guarantee scheme via the Private Contingency Association.

The Group's total expense to the Private Contingency Association etc since autumn 2008 amounts to DKK 990m.

Profit for the year

Profit before tax amounts to DKK 558m compared with DKK 998m in 2009. The tax charge represents DKK 147m (2009: DKK 217m). Profit for the year constitutes DKK 411m compared with DKK 781m in 2009.

Return

Return on shareholders' equity represents 4.4% against 9.6% in 2009. Earnings per share has decreased from DKK 11.7 to DKK 5.6.

Q4 2010 compared with Q3 2010

Profit before tax declined by DKK 269m and reflected:

- A decrease in core income excl trading income of DKK 20m, ascribable in part to higher interest expenses concerning longer-term funding and lower mortgage credit income
- In Q4 2010 the bond and fixed income departments were hit by a sharp rise in long-term interest rates as well as derived effects of the crisis in European peripheral countries, which led to a decline in trading income

Profit for the period					
Group (DKKm)	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009
Core income excl trading income	812	832	831	829	849
Trading income	239	325	327	399	296
Total core income	1,051	1,157	1,158	1,228	1,145
Costs, core earnings	610	588	625	656	592
Core earnings before impairment	441	569	533	572	553
Impairment of loans and advances etc	456	311	310	323	346
Core earnings	(15)	258	223	249	207
Profit/(Loss) on investment portfolios	(8)	111	8	116	69
Profit before non-recurring items	(23)	369	231	365	276
Non-recurring items, net	-	-	-	-	86
Profit before contribution to the Private Contingency Association etc	(23)	369	231	365	362
Contribution to the Private Contingency Association etc	-	123	122	139	116
Profit before tax	(23)	246	109	226	246
Tax	2	61	27	57	29
Profit for the period	(25)	185	82	169	217

Performance in 2010

- A rise in costs (core earnings) of DKK 22m, partly due to a lower holiday frequency in Q4 2010
- An increase in impairment charges for loans and advances of DKK 145m as a result of a more cautious approach adopted by the Bank as regards impairment charges for certain bank loans and advances
- A decline in investment portfolio earnings from DKK 111m in Q4 to minus DKK 8m
- The cessation of contributions to the Private Contingency Association has resulted in a positive difference of DKK 123m.

Profit before tax and profit after tax for Q4 2010 amount to minus DKK 23m and minus DKK 25m, respectively, compared with DKK 246m and DKK 185m in Q3 2010.

Sydbank – the parent

The Bank's total income before costs and impairment charges for loans and advances makes up DKK 4,763m (2009: DKK 5,073m). Income includes a loss on holdings in associates and subsidiaries of DKK 6m (2009: profit of DKK 25m), comprising a loss in subsidiaries after tax of DKK 7m.

Total costs including guarantee commission to the Private Contingency Association etc of DKK 227m (2009: DKK 270m) constitute DKK 2,650m (2009: DKK 2,704m). An impairment charge of DKK 1,556m (2009: DKK 1,369m) concerning loans and advances and amounts owed has been recorded, including DKK 157m (2009: DKK 173m) relating to the Private Contingency Association.

Profit before tax represents DKK 557m (2009: DKK 1,000m).

Subsidiaries

The subsidiary bank, Sydbank (Schweiz) AG, which conducts private banking activities in St. Gallen, recorded a profit after tax of DKK 3m (2009: DKK 0 m).

Ejendomsselskabet recorded a loss after tax of DKK 10m (2009: profit of DKK 1m).

Balance sheet

The Group's total assets made up DKK 150.8bn at year-end 2010 against DKK 157.8bn at year-end 2009.

Assets		
Group – year-end (DKKbn)	2010	2009
Amounts owed by credit institutions etc	8.4	14.5
Loans and advances at fair value (reverse transactions)	10.7	12.9
Loans and advances at amortised cost (bank loans and advances)	73.0	74.5
Securities and holdings etc	37.2	38.5
Assets related to pooled plans	7.9	6.7
Other assets etc	13.6	10.7
Total	150.8	157.8

The Group's bank loans and advances total DKK 73.0bn – a decrease of 2% which is primarily ascribable to a decline in corporate lending.

Shareholders' equity and liabilities

Group – year-end (DKKbn)	2010	2009
Amounts owed to credit institutions etc	40.2	45.4
Deposits and other debt	64.2	68.8
Deposits in pooled plans	7.9	6.7
Bonds issued	11.2	8.6
Other liabilities etc	15.1	15.6
Provisions	0.3	0.5
Subordinated capital	2.3	3.1
Shareholders' equity	9.6	9.1
Total	150.8	157.8

The Group's deposits make up DKK 64.2bn against DKK 68.8bn at year-end 2009 – a decrease of 7%.

Subordinated capital

During the year the Group has prepaid supplementary capital amounting to DKK 800m. Supplementary capital represents DKK 945m and hybrid Tier 1 capital DKK 1,384m. Subordinated capital totals DKK 2,329m (2009: DKK 3,124m).

Share capital

Share capital is unchanged at DKK 742,499,990 at year-end 2010.

The Sydbank share

Number	2010	2009
Average number of shares outstanding	73,522,284	66,926,690
Number of shares outstanding at year-end	73,588,089	73,471,636
Number of shares issued at year-end	74,249,999	74,249,999

The number of shares outstanding increased from 73,471,636 (98.95%) at the end of 2009 to 73,588,089 (99.11%) at the end of 2010. The Sydbank share's book value represents 129.8. At year-end 2010 the closing price of the Sydbank share stood at 151.3 and share price/book value at 1.17.

Shareholders' equity

At year-end 2010 shareholders' equity constitutes DKK 9,554m – an increase of DKK 436m since 1 January 2010. The change comprises additions from:

- net sale of own shares of DKK 26m
- profit for the year of DKK 411m

as well as disposals deriving from a DKK 1m adjustment of revaluation reserves.

Accounting estimates and judgements

Estimates in relation to the measurement of assets and liabilities are based on assumptions considered reasonable by management but which by their nature are uncertain. They may prove to be incomplete or inaccurate as a result of developments differing from projections in the external environment in which the Group operates or in other respects relating to clients or business relations. Reference is made to note 2 "Accounting estimates and judgements" on page 40.

Solvency and capital

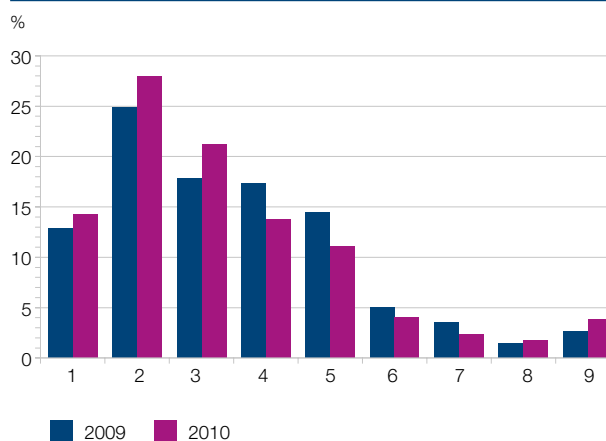
The capital structure was strengthened during the year and core capital currently accounts for 93.2% of the total capital base against 86.6% at the beginning of the year.

Solvency

Group (DKKbn)	2010	2009
Risk-weighted assets	73,716	77,909
Core capital (excl hybrid core capital)	9,336	8,981
Core capital	10,559	10,224
Capital base	11,329	11,809
Core capital ratio (excl hybrid core capital)	12.7	11.5
Core capital ratio	14.3	13.1
Solvency ratio	15.4	15.2

Risk-weighted assets went down from DKK 77.9bn to DKK 73.7bn at year-end 2010. The decrease is solely ascribable to declining credit risk, due in part to a reduction in loans and advances and guarantees as well as a positive trend in the average rating of the exposures comprised by the IRB approach. The development in the distribution of ratings from 2009 to 2010 appears below.

Gross exposures by rating category



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

Performance in 2010

At year-end 2010 the solvency ratio stands at 15.4%, of which 14.3 percentage points is ascribable to core capital, compared with 15.2% and 13.1%, respectively, at year-end 2009. The core capital ratio (excl hybrid core capital) has risen from 11.5% to 12.7%.

At 30 September 2010 the Group changed the method for determining its individual solvency need. After this date the individual solvency need is determined on the basis of an economic capital model and a buffer is added to allow for model and rating uncertainty as well as additional risks. At 31 December 2010 the individual solvency need represents 9.6% against 9.0% at year-end 2009.

The Group's internal capital target continues to represent DKK 9,900m, equal to 13.4% of risk-weighted assets.

Reference is made to Capital Management on page 14.

Solvency of the parent

At year-end 2010 the solvency ratio represents 15.6%, of which 14.5 percentage points is ascribable to core capital.

Funding and liquidity

The expiry of Bank Package I on 30 September 2010 has not had a negative effect on the Group's liquidity positions.

In August 2010 the Bank raised a non state-guaranteed bond loan of EUR 1bn with a maturity period of two years on the international market, broadly diversified across countries as well as investors.

The Group's liquidity measured under the 15% and 10% statutory requirements constitutes 33.0% and 20.6%, respectively, at year-end 2010.

Rating

Sydbank's rating – A1 (long-term debt), P-1 (short-term debt) and C+ (financial strength) – was maintained in 2010.

Shareholders

In 2010 the Sydbank share returned 13% as a result of the increase in the share price during the year. The Board of Directors recommends to the general meeting that 18% of the

Group's profit be distributed in dividends, corresponding to DKK 1 per share or a total of DKK 74m, and DKK 10m be paid to the sponsorship fund Sydbank Fonden.

Winding-up department of the Deposit Guarantee Fund

On 1 June 2010 the Danish parliament passed a set of rules on the management of distressed financial institutions after the expiry of the general government guarantee on 30 September 2010.

Under this scheme, distressed financial institutions may transfer continuing assets at their current realisable value to the Financial Stability Company. A new department under the Deposit Guarantee Fund guarantees any further losses realised by resale. The assets of the new department consist of guarantees provided by the sector of DKK 3.2bn. Guarantee losses will be charged to the sector.

Supervisory diamond

The supervisory diamond sets up a number of benchmarks to indicate banking activities which initially should be regarded as involving a higher risk. After the end of 2012 any breach of the supervisory diamond will be subject to reactions by the Danish FSA.

The Group's calculations of the benchmarks of the supervisory diamond at year-end 2010 are shown below.

Supervisory diamond benchmarks

Group	2010
Sum of large exposures < 125%	54%
Funding ratio < 1	0.87
Commercial property exposure < 25%	11%
Growth in loans and advances < 20%	-4%
Excess liquidity cover relative to 10% requirement > 50%	106%

At 31 December 2010 the Group complies with all the benchmarks of the supervisory diamond.

Regulation

In December 2010 the Basel Committee issued the so-called Basel III guidelines. The G20 countries endorsed the complete Basel III guidelines at the summit in Seoul on 11-12 November 2010.

The EU Commission has announced that a draft directive (CRD IV) will be published in summer 2011 to implement Basel III within the EU.

The liquidity rules in Basel III remain problematic for the Danish mortgage finance system because the liquidity requirements do not allow Danish mortgage bonds to be counted as liquid assets to a sufficient degree. If consideration is not given to the special financing system in Denmark, this may not only create challenges for banks and mortgage credit institutions but also lead to increased borrowing costs for clients.

The new capital standards entail a significant increase in the minimum capital requirement for credit institutions. The minimum capital requirement for core capital (excl hybrid core capital) will be raised gradually from the present 2% of risk-weighted assets to 7% in 2019, including a buffer requirement of 2.5%. Failure to comply with the buffer requirement will result in restrictions on for instance dividend payments. In addition there are stricter requirements for capital that may count as hybrid core capital and subordinated loan capital.

The Group estimates that its current core capital ratio (excl hybrid core capital) of 12.7% will be impacted only marginally when the Basel III guidelines have been fully phased in. The Group thus already complies with the future minimum capital requirements.

In addition to the above, the Basel Committee has introduced a requirement for countercyclical buffers when the ratio of credit growth in the economy and GDP differs from its long-term trend and when the relevant national authorities judge credit growth to be associated with a build-up of economic risk.

It is expected that the Basel Committee will propose initiatives regarding so-called systemically important banks during the first six months of 2011. Sydbank will not be directly impacted by this proposal. However spillover effects cannot be ruled out.

Outlook for 2011

The 2011 outlook is based on the central assumption that the Danish economy is gradually regaining its strength. However the outlook for economic growth in 2011 is extremely modest and uncertain. The recovery will be slow, for one thing because the competitiveness of the Danish economy has weakened substantially over the last many years and will therefore be one of the last to gain speed – and consequently many businesses will continue to struggle. Moreover 2011 is an election year and

the uncertainty surrounding the composition of the government after the referendum could have a negative impact on the industrial policy climate in Denmark.

The Group's bank loans and advances are projected to display weak growth.

Core income excl trading income is expected to decline slightly, primarily as a result of higher funding costs and secondarily as a result of lower mortgage credit income due in part to the normalisation of the speed of registration.

It is assumed that trading income will show a falling trend compared with the trading income recorded in 2010. Much will however depend on financial market developments.

The level of costs is projected to remain largely unchanged since rises in pay and payroll taxes are expected to be offset by a budgeted reduction in staff of 50.

Based on the above assumptions, the Group projects core earnings in the region of DKK 1.7-2.0bn before impairment charges for loans and advances.

The prospects for many industries continue to seem uncertain, which will trigger a continued need for impairment charges as regards the Bank's corporate client portfolio. In contrast it is expected that the financial situation of the broad portfolio of retail clients will be satisfactory also in 2011. Overall the Group's impairment charges are projected to display a clear declining trend in 2011.

Investment portfolio earnings will depend on financial market developments. At the beginning of 2011 the Bank's positioning is characterised by positions in Danish floating-rate mortgage bonds, which involves limited interest rate risk.

The collapse of Amagerbanken on 6 February 2011 is projected to result in an expense for the Group in Q1 2011 in connection with the payment by the Deposit Guarantee Fund of secured net deposits in Amagerbanken. The expense will be determined at a later date.

The Group's tax is budgeted at 25%.

Capital Management

The Group's capital management aims to ensure efficient deployment of capital relative to the Group's overall capital targets. The Group's risk profile is determined while taking into account the capital targets and implies first and foremost that the Group must have adequate capital to meet the Group's growth expectations and fluctuations in the risks assumed by the Group.

Sydbank applies internal ratings based (IRB) approaches to manage the credit risk of the Group's corporate and retail client portfolios. Sydbank uses the advanced IRB approach as regards retail clients and the foundation IRB approach as regards corporate clients to calculate the Group's capital requirement.

The Group applies the Standardised Approach to credit in relation to a few portfolios – exposures to credit institutions and exposures via the Group's foreign entities – totalling around DKK 6bn. The transition to IRB of exposures relating to the branches in Germany is expected to take place during 2011.

Further details, also concerning risk-weighted assets, capital information and solvency ratios are found in note 3.

The Group's capital management focuses on four capital elements: minimum capital, adequate capital base, internal capital target and capital base.

Minimum capital represents the necessary capital in compliance with the executive order on capital adequacy and the adequate capital base is the Group's own determination of capital which is sufficient to protect depositors against loss under the prevailing economic conditions. The solvency need is defined as the adequate capital base in percentage terms of risk-weighted assets (RWA).

In 2010 Sydbank set up a more formalised risk organisation so that the work with risks and determination of the adequate capital base is broadly embedded in the relevant business units.

The risk organisation consists of a Risk Committee, a number of risk subcommittees and a Chief Risk Officer. The Risk Committee assesses, coordinates and follows up on risk management in the individual risk subcommittees. The Risk Committee is managed by the Bank's Group Executive Management. The risk subcommittees identify, monitor and assess risks within the individual risk areas and ensure that models and principles are formulated to calculate risk. The subcommittees ensure that the Bank's business units proactively carry out their operations to counter identified risks.

In December 2010 a risk analysis was carried out to determine the Bank's risk profile. This analysis was discussed at a board meeting in December 2010. The Bank's determination of the adequate capital base and the individual solvency need has been made in continuation of this analysis.

The proposal for the determination of the adequate capital base was discussed by the Risk Committee. The capital needed was subsequently discussed by the Bank's Group Executive Management and discussed and determined by the Bank's Board of Directors on the basis of a proposal submitted by the Group Executive Management.

The method for determining the Group's solvency need was changed during 2010.

Now the solvency need as regards credit risk is determined on the basis of an economic capital model and a buffer is added to allow for rating uncertainty as well as additional credit risks.

The models and methods used to calculate the solvency need as regards market risk and operational risk are unchanged and are based on the models used to calculate the regulatory solvency requirement. The models have been carefully reviewed to determine whether the Group's risks are adequately covered or whether the solvency need must be adjusted relative to the regulatory solvency requirement. The models used to calculate the regulatory solvency requirement are described in detail in note 3.

Due to the significant uncertainty which continues to surround the international as well as the Danish economy, the Group has recognised a precautionary buffer of 0.8% of RWA at year-end 2010.

The adequate capital base/solvency need can be broken down as follows:

Adequate capital base/solvency need		
	DKKm	% of RWA
Credit risk	5,078	6.9
Market risk	591	0.8
Operational risk	590	0.8
Other circumstances	197	0.3
Precautionary buffer	621	0.8
Adequate capital base/solvency need	7,077	9.6

Other circumstances include property, plant and equipment and the Group's equity investments.

The internal capital target is the level of capital that the Group wishes to have at its disposal to protect shareholders against loss under prevailing and worsened economic conditions.

The capital base is the actual capital that the Group has at its disposal.

Based on the adequate capital base the Group's capital structure may be specified as follows:

Capital		
	DKKm	% of RWA
Adequate capital base/solvency need	7,077	9.6
Buffer capital	2,823	3.8
Internal capital target	9,900	13.4
Free capital	1,429	2.0
Capital base	11,329	15.4

The difference between the adequate capital base and the internal capital target – the buffer capital – reflects the additional capital which the Group finds necessary to have in order to protect shareholders against loss.

As shown the Group's buffer capital represents DKK 2.8bn or 28.5% of the Group's internal capital target of DKK 9.9bn.

The difference between the capital base and the internal capital target is made up of free capital. Free capital may be used to assume new risks, including acquiring other institutions, purchasing own shares, distributing dividend and repaying subordinated capital.

Free capital constitutes DKK 1.4bn at year-end 2010 after the Group repaid supplementary capital totalling DKK 0.8bn in October 2010. The Group expects that it will repay the remaining portion of supplementary capital three years before maturity in connection with the interest rate step-up, ie repayment of DKK 0.2bn at year-end 2011 and DKK 0.7bn in the first six months of 2012.

The capital buffer totals DKK 4.3bn, equivalent to 60.1% of the adequate capital base/solvency need.

It is the aim of the Group that core capital (excl hybrid core capital) represents a minimum of 80% of the capital base. Breakdown as at 31 December 2010:

Capital base		
	DKKm	%
Core capital (excl hybrid core capital)	9,336	82.4
Hybrid core capital after deductions	1,223	10.8
Supplementary capital after deductions	770	6.8
Capital base	11,329	100.0

Capital Management

The coming years will see stricter requirements also regarding hybrid core capital. Most recently the Basel Committee has adopted new guidelines in this respect and considerable political efforts to incorporate these guidelines into the European Capital Requirements Directive are currently ongoing. The Group is monitoring these efforts closely.

As mentioned above the Group determines the solvency need as regards credit risk on the basis of an economic capital model. This model is based on sophisticated portfolio systems which measure the actual credit risk of the Group's corporate and retail client portfolios more precisely in connection with the assessment of the adequate capital base. In addition, the Group makes regular use of expert assessments of specific risks or sub-areas, for instance risk concentration. Stress testing is another important element in connection with the assessment of the adequate capital base.

The object of stress testing is to assess the impact of adverse events on capital needed and income. Stress test calculations are conducted on an ongoing basis to show the impact for a period of usually three years in given economic scenarios.

As at 31 December 2010 the Group has based its stress test calculations on the following macro-economic scenarios:

Basic scenario which reflects the Group's expectations of developments in the economy.

Low growth scenario which reflects a domestic crisis as a result of a financial and confidence crisis coupled with a global recessionary scenario and a resulting decline in the export market. The average bond yield will drop slightly from the present very low interest rate level and unemployment will increase significantly. GDP will post negative growth rates in 2011 and 2012 and house prices will decrease during the same period.

Very deep recession – global double dip which reflects a combination of an international debt crisis and low growth. Rising long-term interest rates despite a downward pressure as a result of reduced activity. The level of interest rates is assumed to further curb global growth whereby the export market will come to a halt. Unemployment will increase substantially. GDP will post negative growth rates in 2011 and 2012 and house prices will drop sharply during the same period.

These scenarios and their relevance are subject to ongoing assessment and management accepts the scenarios as the basis for further stress test calculations. The impacts of the scenarios form part of the assessment of the adequate capital base. The stress tests show that the Group is adequately capitalised.

Throughout 2010 the Group has fully met external as well as internal capital requirements.

Mission Statement and Business Goals

History and status

Sydbank was formed in 1970 through a merger between four small banks in Southern Jutland. Since then the Bank has grown through mergers, acquisitions and branch openings and today its scope of activities encompasses the entire country.

The Bank is Denmark's fourth largest bank with a market share representing 6-9%, depending on customer segment and type of business. The market share is naturally largest in the areas where Sydbank has its historical roots – especially the Region of Southern Denmark. The Bank's international presence includes branches in North Germany and a subsidiary bank in Switzerland.

For a number of years Sydbank has recorded significant growth in business volume and generated financial results ranking it among the top performers of the banking sector.

Mission statement

Since 1995 Sydbank's fundamental values have been communicated via its mission statement. According to this, as a service undertaking the Bank first and foremost aims to meet the financial requirements of its clients. In all relations Sydbank aims to create value based on the service philosophy, "What can we do for you", and the key words of our guiding values – competent, reliable, obliging and competitive – must be reflected in the Bank's activities.

Sydbank aims to be perceived by retail clients and small corporate clients as an approachable business partner with roots in the local community. Also as regards major clients, including private banking clients, corporate enterprises, banks and institutional clients Sydbank wishes to be perceived as a partner that fulfils clients' banking requirements with dynamism and financial capacity.

Sydbank aims to expand its banking operations in the Danish market for instance by opening branches in major towns and consequently consolidate its position as a nationwide player. In addition the Bank will continue to expand its long-standing presence in North Germany.

Sydbank's organisational philosophy is based on the requirements of clients and business activities, and on broad delegation of professional competence and decision-making responsibility to individual customer oriented units. At the same time efforts are made to streamline administration. Dedicated and performance-oriented employees who can and who want to make a difference are the Bank's most valuable resource and competitive parameter.

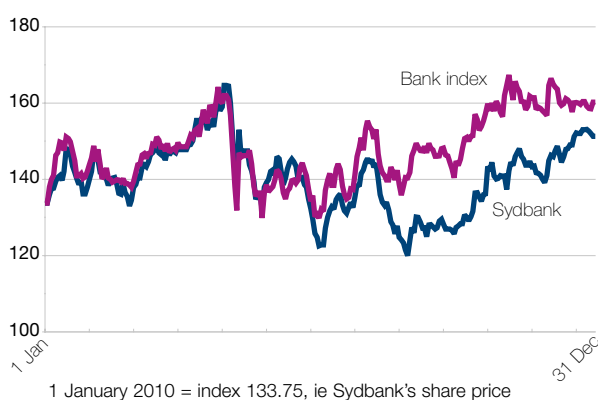
Overall financial goals

The Group aims to generate over time financial results to the satisfaction of shareholders' long-term return expectations. Moreover the capital base must exceed the capital needed as calculated by the Bank including a buffer to adequately resist significant cyclical fluctuations and individual events.

The Sydbank share

At year-end 2010 Sydbank's shareholders numbered 143,000. Since December 2006 the Sydbank share has been part of OMXC20. The share price (DKK 10 each) stood at 151.30 at year-end 2010 against 133.75 at year-end 2009 and 64.3 at the beginning of 2009.

Share price developments 2010



Clients and Business Areas

Clients

The number of new Sydbank clients continues to develop positively. At year-end 2010 the number of clients exceeded 390,000, including approximately 32,000 corporate clients. This trend is very satisfactory and demonstrates Sydbank's ability in the midst of lasting repercussions of the financial crisis to attract and retain clients in a competitive market.

Business areas

Sydbank's product range and supply channels are competitive and fulfil customer needs. The Bank attaches importance to being a dedicated sparring partner and providing professional advice as well as smooth services to all customer segments. This is based on Sydbank's in-depth knowledge of individual customer needs and on staff specialist knowledge and competence.

Retail segment

Sydbank operates its business focussing on the Bank's own services and products and ongoing product innovation. During 2010 special focus was given to advisory services relating to housing and retail clients and new tools have been developed to support client advisory services.

To supplement Sydbank's own products and services the Bank has concluded cooperation agreements with sub-suppliers from outside the classic banking product range. The primary mortgage credit partners are Totalkredit, Nykredit and DLR Kredit and its life insurance partners are Topdanmark and PFA.

Financial advisory services and private banking

Sydbank has targeted the business areas financial advisory services and private banking for quite a few years. Both areas have grown substantially and growth is expected to continue as a consequence of mounting interest in pension savings and investments among the Bank's existing and potential clients.

The Bank's expertise within financial and wealth advisory services is available to clients in 17 decentralised investment centres. The advice is based on personal knowledge of the clients as well as on tools and analyses targeted at customer needs. For many years Sydbank has provided investment advice and private banking also to foreign clients through Private Banking International (PBI) in Gråsten.

Asset Management

Within asset management Sydbank provides advisory and management services to for instance institutional clients, pooled pension plans, investment funds and hedge funds as well as major clients preferring portfolio management agreements. The departments for emerging market bonds and shares are also embedded in this division, a successful initiative targeting the institutional segment.

Asset Management is a growth area. Total volume rose from DKK 57bn at year-end 2009 to DKK 65bn at year-end 2010.

Asset management

DKKbn	2010	2009
Pooled pension plans	8	7
Portfolio management mandates	8	7
Portfolio management mandates, institutional clients	1	3
Management agreements	3	3
Investment funds and hedge funds	45	37
Total	65	57

Custody account volume

DKKbn	2010	2009
Retail and corporate clients	98	79
Pooled pension plans	8	7
Financial institutions	7	7
Investment funds and hedge funds	40	44
Total	153	137

The custody account volume of retail and corporate clients by type of security:

Custody account volume distribution		
DKKbn	2010	2009
Danish bonds	25	20
Foreign bonds	3	3
Danish shares	22	19
Foreign shares	7	5
Investment funds and hedge funds	41	32
Total	98	79

Sydbank Markets

Sydbank Markets quotes prices and performs market making obligations and is responsible for the Bank's treasury portfolio. Moreover, this division services institutional clients, a few major clients, local banks as well as the Bank's decentralised investment centres.

Sydbank in Switzerland

In 2003 Sydbank established the subsidiary bank, Sydbank (Schweiz) AG, which from St. Gallen targets eg Danish expatriates and private banking clients domiciled outside Denmark.

Corporate segment

Sydbank has special competence within the corporate segment, for instance when corporate clients request efficient payment service and cash management solutions. Via its branches in Germany and its close collaboration with Nordic banks and the Connector banks, the Bank can offer its clients payment solutions virtually worldwide.

Sydbank is a direct participant in the Single Euro Payments Area (SEPA). As a result euro payment costs for corporate clients have dropped substantially. Most recently it has also enabled the Bank's corporate clients to make direct debit payments throughout Europe.

Corporate clients' needs for advice and settlement in connection with documentary credit, debt collection and guarantee transactions as well as export finance are covered by the Bank's natural competences within the field of payment services.

Another special field of competence is the hedging of corporate clients' interest rate and foreign exchange risks. Ongoing advisory services and sophisticated analysis tools provide an overview of a client's funding structure as well as interest rate and foreign exchange risks.

A growing number of corporate clients have also joined Sydbank's corporate pension programme, which is a flexible and competitive product to accommodate the business sector's requirements in this area.

Sydbank regularly takes part in polls focussing on corporate clients' satisfaction with their bank. The 2010 Aalund Business Research survey, focussing on corporate enterprises with 10-499 employees, showed that Sydbank maintains its long-standing position as the bank with the most satisfied and loyal corporate clients.

Merchant Bank

Merchant Bank, which is a part of Corporate Banking & Finance, provides advisory services to corporate clients on for instance succession, the acquisition and sale of enterprises, the raising of subordinated loan capital, as well as initial public offerings and share issues. Merchant Bank also prepares company and industry analyses.

Sydbank in Germany

Sydbank in Germany targets Danish corporate clients who trade with Germany as well as German corporate and retail clients. Financial and wealth advisory services as well as private banking are also available at Sydbank's German branches in Flensburg, Hamburg and Kiel. In addition the Flensburg branch is a specialist banker for retail clients commuting across the Danish-German border.

Leasing and boat financing

Sydbank's leasing services to corporate and retail clients are provided via Sydleasing and the Bank provides advisory services and financing of leisure boats via Søfinans.

Organisation, Distribution and Staff

Clients' contact with Sydbank takes place via the branches in the Bank's 17 Danish regions, its branches in Germany, PBI in Gråsten, Sydbank in Switzerland, and the expert functions at the head office.

Providing full service to all clients, the Danish regions are organised in corporate, investment and retail sections and service the Bank's smaller branches. Administrative tasks are carried out by customer secretariats.

Branches

Sydbank has 102 branches in Denmark, including a private banking department in Gråsten and three branches in Germany. In addition Sydbank has a subsidiary bank in Switzerland.

The number of branches is adjusted on an ongoing basis to ensure that the Bank improves its position as a nationwide bank while preserving its local ties to small and large communities.

In all branches customer and employee safety is given high priority. Time delay locks have therefore been installed in all the bank's branches and to further reduce the danger of robberies, cashless branches, exterior video surveillance and closed cash-handling systems are established on an ongoing basis.

eBanking

The IT solutions provided by the Bank to its clients were further developed also in 2010. In particular as regards NetBank for retail clients which was chosen as Denmark's best eBanking system in an independent survey in 2010. User satisfaction is also reflected in the continued growth in the number of clients and transactions.

NetBank enables clients to carry out a large proportion of their banking transactions, including securities trading. In addition clients can access pension and insurance statements and subscribe to text and email services as well as PensionsInfo. In 2011 iPhone and Android apps will be launched for NetBank.

Sydbank's Online Banking system for corporate clients can be fully integrated with a client's ERP system and supports a wide range of national and international cash management solutions. The system also includes a Trade Finance Online module.

More than 90% of clients' national and international payment transactions are conducted via the Bank's eBanking systems which are all serviced by Sydbank's Hotline. In 2010 the hotline responded to more than 150,000 customer enquiries.

Sydbank issues Dankort and Visa/Dankort cards and also offers a versatile MasterCard credit card programme as well as a MasterCard Debit card. The Debit card, which can be used at ATMs, at retailers and on the internet, was issued to more than 70,000 clients in 2010. The card offers a number of advantages, including one of the best travel insurances in the market.

All Sydbank branches have an ATM, 180 in all, and 154 ATMs are open virtually 24/7/365. In 2010 the Bank's ATMs handled more than five million cash withdrawals – equal to just over 80% of all cash withdrawals.

Staff

In 2010 the Group's staff fell by 85 to 2,284 (full-time equivalent) – a decline of 3.7%. The decrease is consistent with the budget and reflects the fact that productivity per employee increased during the year. This is due in particular to the implementation of a series of productivity enhancing systems as well

as clients' increasing use of self-service products.

The change in the number of staff have not affected job satisfaction which continues to be very high. This has been documented in a survey conducted by Rambøll Management in 2010. According to Rambøll, job satisfaction at Sydbank is extremely high compared with other large workplaces.

Sydbank does not have incentive pay programmes. However a scheme where savings are deducted from gross pay to purchase Sydbank shares has been offered since 2007 – an offer which around 55% of the staff accepted.

IT

Sydbank's primary IT supplier is Bankdata which also provides systems solutions to 13 other Danish banks. According to an agreement concluded in 2010, Jyske Bank will join Bankdata and start using Bankdata's systems as from 2012.

As a result of the agreement with Jyske Bank, the total business volume of Bankdata will grow by just over 50%.

Consequently it will be possible to double the capacity for development as well as to achieve savings within IT for the member banks.

Danish Regional Bankers' Association

Sydbank is a member of the industry association, Regional Bankers' Association, together with Amagerbanken, Arbejdernes Landsbank, Jyske Bank and Spar Nord Bank. The main object of the Association is to strengthen members' position in relation to sector policy.

Corporate Governance and Corporate Social Responsibility

Corporate governance

Sydbank backs and actively addresses the recommendations issued by the Committee on Corporate Governance. In 2002 and 2003 the Board of Directors addressed the first recommendations by the Committee (“the Nørby Committee”), and since 2006 the Bank has followed the “comply or explain principle”. The position of the Board of Directors as regards each recommendation appears from “Sydbank’s Corporate Governance Principles” which can be read in their entirety at sydbank.com.

Highlights:

- Sydbank’s Articles of Association include a voting right limitation according to which no shareholder on his own behalf may cast a vote of more than 5,000 shares
- The existing framework for the work of the Board of Directors is considered adequate also in relation to existing recruitment criteria and processes, restrictions as regards other directorships as well as the length of the term of office.

The Board of Directors consists of between six and ten members to be elected by and from among the members of the Shareholders’ Committee. Furthermore it includes any additional members as prescribed by law. The board members elected by the Shareholders’ Committee are elected for a term of four years. Members are eligible for re-election. If the number of board members is reduced to less than six by vacancy, the Shareholders’ Committee will add to the number of board members as soon as possible in order to increase the number of members to at least six.

When a member of the Board of Directors attains the age of 65, he will resign from office no later than at the next Annual General Meeting.

Resolutions to amend the Articles of Association and the dissolution of the Bank or its merger with other companies will only be adopted if at least two-thirds of the voting share capital are represented at the general meeting and the resolution is carried by two-thirds of votes cast and of the voting share capital represented at the general meeting. If two-thirds of the voting

share capital are not represented at the general meeting and the resolution has been carried by two-thirds of both the votes cast and of the voting share capital represented at the general meeting, the resolution can be adopted at a new general meeting by the majority of votes cast as prescribed above irrespective of the proportion of voting share capital represented.

Resolutions to amend the Articles of Association submitted by the Shareholders’ Committee or the Board of Directors may be finally adopted at a single general meeting by two-thirds of both the votes cast and of the voting share capital represented at the general meeting.

The Board of Directors may authorise a share capital increase of up to DKK 432,500,010 in one or more issues.

This authorisation will apply until 1 March 2016. Increases in share capital pursuant to such authorisation may be effected without any pre-emption rights for the Bank’s existing shareholders, if effected by an unrestricted public subscription at market price, by conversion of debt or as consideration for the Bank’s acquisition of a going concern or specific capital assets of a value corresponding to the value of shares issued.

The general meeting has authorised the Board of Directors to allow the Bank to acquire own shares within a total nominal value of 10% of the Bank’s share capital.

The Board of Directors holds at least 11 ordinary board meetings each year and evaluates its work annually. The assessment will include an evaluation of the work and results of the Board of Directors and the individual members as well as the chairman.

Sydbank’s Articles of Association may be read in their entirety at sydbank.com.

Significant internal controls and risk management systems

Sydbank's risk management and internal controls relating to financial reporting are designed for the purpose of preparing:

- management accounts which make it possible to measure and follow up on the Group's performance
- financial statements which give a true and fair view without material misstatement and which are in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports of listed financial companies.

The Group's internal controls and risk management systems are updated on an ongoing basis and are designed with a view to discovering and eliminating errors and omissions in the financial statements. Internal controls and risk management systems provide reasonable assurance that all material errors and omissions are detected and corrected.

Overall control environment

The Group Executive Management is responsible for maintaining effective internal controls and a risk management system in connection with financial reporting. The Group Executive Management has designed and implemented controls considered necessary and effective to counter the identified risks relating to financial reporting.

Risk assessment

The Board of Directors and the Group Executive Management regularly assess the risks relating to the Group, including those affecting financial reporting. A description of the most significant identified risks is given in the annual report under "Significant recognition and measurement principles" (note 1).

The Group Executive Management and the Audit Committee regularly consider whether new internal controls should be implemented to counter identified risks. In addition the Audit Committee reviews particularly risky areas at least once a year.

Procedures have been put into place to ensure that Sydbank at all times complies with relevant legislation and other regulations in connection with financial reporting. The Audit Committee is regularly informed of significant changes in legislation.

Monitoring

Analyses and control activities are conducted in connection with the preparation of the financial statements to ensure that financial reporting is in compliance with IFRS as described under "Accounting policies" (note 1).

Compliance

Compliance is an independent function reporting directly to the Bank's Group Executive Management. The division assesses and supervises that the Bank's business areas comply with legislation and internal rules. In addition Compliance provides assistance and counselling to the business areas. The ongoing reporting of the division includes assessments of risks in the form of financial losses, administrative sanctions and the loss of good standing.

Risk organisation

In 2010 Sydbank set up a formal risk organisation comprising a Risk Committee, a number of risk subcommittees and a Chief Risk Officer. The Risk Committee assesses, coordinates and follows up on risk management in the individual risk subcommittees. The Risk Committee is managed by the Bank's Group Executive Management. The risk subcommittees identify, monitor and assess risks within the individual risk areas and ensure that models and principles are formulated to calculate risk. The subcommittees ensure that the Bank's business areas counter identified risks. The Chief Risk Officer reports to the Group Executive Management and is responsible for the functioning of the risk organisation and for ensuring that all risks are addressed by the Risk Committee or the subcommittees.

Audit Committee

In 2009 the Board of Directors set up an Audit Committee with no independent decision-making authority. The Committee reports to the Board of Directors and meets as a minimum four times a year.

The Audit Committee reviews and monitors on an ongoing basis the adequacy of the Group's internal controls. Moreover the Committee assesses significant risks in connection with accounting, auditing and security issues. The assessments are carried out when the Board of Directors, Internal Audit, the

Corporate Governance and Corporate Social Responsibility

Audit Committee or independent auditors believe an issue deserves closer examination before it is brought before the Board of Directors.

Moreover the Audit Committee follows up on measures taken to rectify weaknesses in internal controls as well as errors and omissions in the financial statements identified and reported by independent auditors and Internal Audit and ensures that controls and procedures are implemented to counter these errors and omissions. The Audit Committee held four meetings in 2010.

Remuneration Committee

In November 2010 the Board of Directors resolved to establish a Remuneration Committee. The Committee has no independent decision-making authority but reports to the Board of Directors. The Remuneration Committee formulates the Bank's remuneration policy and decides which of the Bank's functions are covered by the concept of "material risk takers". Following approval by the Bank's Board of Directors the remuneration policy is submitted to the general meeting which will make the final decision. After the general meeting the Remuneration Committee ensures that the remuneration policy in force is complied with. The Remuneration Committee held two meetings in 2010.

Internal Audit

Sydbank has established an internal audit function in order to gain an objective and independent assessment of the adequacy, effectiveness and quality of the Group's internal controls. Internal Audit reports to the Board of Directors which has approved a functional description for Internal Audit.

Internal Audit oversees that:

- the Group has good administrative and accounting practices
- there are written business procedures for all important areas of activity
- there are satisfactory internal control procedures
- there are prudent control and security measures within IT.

Moreover Internal Audit oversees that management's instructions on security and controls are incorporated into business procedures and are observed.

Corporate social responsibility

Sydbank has not formulated a formal CSR policy. All the same Sydbank is an enterprise operating as a responsible player in society while respecting its business goals.

The Bank is an active player in the activities of associations and sports – locally and regionally. Numerous sponsorships are nurtured in Sydbank's 17 Danish regions – not least amateur associations. In addition Sydbank's funds give small and large donations for cultural and social purposes.

The local and regional commitment is the cornerstone of the corporate mission and one of the reasons why the Bank remains the business partner characterised by closeness and local knowledge – despite its nationwide presence.

Within the investment area Sydbank's social responsibility is primarily exercised via the manner in which investments are made in the portfolios managed by the Bank. The Bank finds it important that the companies invested in comply with the UN principles of responsible investments (UNPRI).

Also in relation to its employees the Bank takes its social responsibility seriously. Continuous initiatives within stress prevention, senior policy schemes and health promotion constitute some of the reasons why Sydbank is a highly attractive workplace. Also in terms of environmental awareness, the Group has launched a range of initiatives in recent years aimed at minimising the Bank's energy consumption.

The Bank's activities and CSR efforts aim to emphasise Sydbank's position as ethically sound – among employees, clients and other stakeholders.

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Income Statement

DKKm	Note	Sydbank Group		Sydbank A/S	
		2010	2009	2010	2009
Interest income	5	4,189	5,695	4,179	5,692
Interest expense	6	971	2,290	973	2,292
Net interest income		3,218	3,405	3,206	3,400
Dividends on shares	7	22	31	22	31
Fee and commission income	8	1,330	1,114	1,293	1,088
Fee and commission expense	8	184	151	184	156
Net interest and fee income		4,386	4,399	4,337	4,363
Market value adjustments	9	420	667	410	663
Other operating income	10	23	23	22	22
Staff costs and administrative expenses	11	2,353	2,341	2,301	2,302
Depreciation and impairment of property, plant and equipment		153	135	138	132
Other operating expenses		211	270	211	270
Impairment of loans and advances etc	12	1,556	1,368	1,556	1,369
Profit/(Loss) on holdings in associates and subsidiaries	13	2	23	(6)	25
Profit before tax		558	998	557	1,000
Tax	14	147	217	146	219
Profit for the year		411	781	411	781
Distribution of profit for the year					
Profit for the year				411	781
Total amount to be allocated				411	781
Proposed dividend				74	-
Proposal for allocation for other purposes				10	-
Transfer to shareholders' equity				327	781
Total amount allocated				411	781
EPS Basic (DKK) *				5.6	11.7
EPS Diluted (DKK) *				5.6	11.7
Proposed dividend per share (DKK)				1.0	-

* Calculated on the basis of average number of shares outstanding, see page 11.

Statement of Comprehensive Income

Profit for the year	411	781	411	781
Other comprehensive income				
Translation of foreign entities	40	1	40	1
Hedge of net investment in foreign entities	(40)	(1)	(40)	(1)
Property revaluation	(1)	23	(1)	23
Other comprehensive income after tax	(1)	23	(1)	23
Comprehensive income after tax	410	804	410	804

Balance Sheet

DKKm	Note	Sydbank Group		Sydbank A/S	
		2010	2009	2010	2009
Assets					
Cash and balances on demand at central banks		855	862	840	849
Amounts owed by credit institutions and central banks	15	7,527	12,489	8,017	12,794
Loans and advances at fair value	16	10,724	12,930	10,724	12,930
Loans and advances at amortised cost	16	73,028	74,544	72,228	73,998
Bonds at fair value	17	35,021	36,642	35,021	36,642
Shares etc	18	1,894	1,552	1,894	1,552
Holdings in associates etc	19	307	310	307	310
Holdings in subsidiaries	20	-	-	257	225
Assets related to pooled plans	21	7,923	6,735	7,923	6,735
Intangible assets	22	13	14	13	14
Total land and buildings		1,045	1,046	840	828
investment property	23	-	2	-	2
owner-occupied property	24	1,045	1,044	840	826
Other property, plant and equipment	25	105	139	99	132
Current tax assets		82	32	83	32
Deferred tax assets		11	11	7	7
Assets in temporary possession		1	-	1	-
Other assets	26	12,256	10,464	12,253	10,461
Prepayments		51	51	51	51
Total assets		150,843	157,821	150,558	157,560
Shareholders' equity and liabilities					
Amounts owed to credit institutions and central banks	27	40,250	45,314	40,327	45,368
Deposits and other debt	28	64,161	68,780	63,815	68,479
Deposits in pooled plans		7,923	6,735	7,923	6,735
Bonds issued at amortised cost	29	11,242	8,622	11,242	8,622
Current tax liabilities		8	8	8	8
Other liabilities	30	15,084	15,616	15,071	15,605
Deferred income		11	27	11	27
Total liabilities		138,679	145,102	138,397	144,844
Provisions	31	281	477	278	474
Subordinated capital	32	2,329	3,124	2,329	3,124
Shareholders' equity:					
Share capital		742	742	742	742
Revaluation reserves		110	112	110	112
Other reserves:					
Reserves according to articles of association		423	418	423	418
Reserve for net revaluation according to the equity method		26	33	26	33
Retained earnings		8,169	7,813	8,169	7,813
Proposed dividend etc		84	-	84	-
Total shareholders' equity		9,554	9,118	9,554	9,118
Total shareholders' equity and liabilities		150,843	157,821	150,558	157,560

Statement of Changes in Equity

Sydbank Group							
DKKm	Share capital	Revaluation reserves	Reserves acc to articles of association	Reserve for net revaluation according to equity method	Retained earnings	Proposed dividend etc	Total
Shareholders' equity at 1 Jan 2010	742	112	418	33	7,813	-	9,118
Changes in equity in 2010							
Purchase of own shares	-	-	-	-	(2,464)	-	(2,464)
Sale of own shares	-	-	-	-	2,490	-	2,490
Adjustment concerning property sold	-	(1)	-	-	1	-	-
Comprehensive income for the period	-	(1)	5	(7)	329	84	410
Total changes in equity in 2010	-	(2)	5	(7)	356	84	436
Shareholders' equity at 31 Dec 2010	742	110	423	26	8,169	84	9,554
Shareholders' equity at 1 Jan 2009	675	91	411	20	5,891	-	7,088
Changes in equity in 2009							
Purchase of own shares	-	-	-	-	(2,679)	-	(2,679)
Sale of own shares	-	-	-	-	3,112	-	3,112
Share issue *	67	-	-	-	788	-	855
Adjustment concerning property sold	-	(2)	-	-	2	-	-
Tax on equity items	-	-	-	-	(62)	-	(62)
Comprehensive income for the period	-	23	7	13	761	-	804
Total changes in equity in 2009	67	21	7	13	1,922	-	2,030
Shareholders' equity at 31 Dec 2009	742	112	418	33	7,813	-	9,118

Sydbank A/S

DKKm	Share capital	Revaluation reserves	Reserves acc to articles of association	Reserve for net revaluation according to equity method	Retained earnings	Proposed dividend etc	Total
Shareholders' equity at 1 Jan 2010	742	112	418	33	7,813	-	9,118
Changes in equity in 2010							
Purchase of own shares	-	-	-	-	(2,464)	-	(2,464)
Sale of own shares	-	-	-	-	2,490	-	2,490
Adjustment concerning property sold	-	(1)	-	-	1	-	-
Comprehensive income for the period	-	(1)	5	(7)	329	84	410
Total changes in equity in 2010	-	(2)	5	(7)	356	84	436
Shareholders' equity at 31 Dec 2010	742	110	423	26	8,169	84	9,554

Shareholders' equity at 1 Jan 2009	675	91	411	20	5,891	-	7,088
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Changes in equity at 1 Jan 2009							
Purchase of own shares	-	-	-	-	(2,679)	-	(2,679)
Sale of own shares	-	-	-	-	3,112	-	3,112
Share issue *	67	-	-	-	788	-	855
Adjustment concerning property sold	-	(2)	-	-	2	-	-
Tax on equity items	-	-	-	-	(62)	-	(62)
Comprehensive income for the period	-	23	7	13	761	-	804
Total changes in equity in 2009	67	21	7	13	1,922	-	2,030
Shareholders' equity at 31 Dec 2009	742	112	418	33	7,813	-	9,118

* Shares issued in connection with the capital increase of Sydbank A/S of DKK 67,499,990 nominal (6,749,999 shares of DKK 10 nominal).

As at 31 December 2010 the share capital comprises 74,249,999 shares at a nominal value of DKK 10 or a total of DKK 742.5m. The Bank has only one class of shares as all shares carry the same rights.

Cash Flow Statement

DKKm	Sydbank Group	
	2010	2009
Operating activities		
Pre-tax profit for the year	558	998
Taxes paid	(187)	86
Adjustment of non-cash operating items:		
Loss on holdings in associates	(2)	(23)
Amortisation and depreciation of intangible assets and property, plant and equipment	153	135
Impairment of loans and advances/guarantees	1,556	1,369
Other non-cash operating items	(188)	386
Total	1,890	2,951
Changes in working capital:		
Credit institutions and central banks	(4,819)	6,430
Trading portfolio	1,279	(10,130)
Other financial instruments at fair value	617	903
Loans and advances	2,167	6,915
Deposits	(4,620)	(6,227)
Other assets/liabilities	(2,968)	1,916
Cash flows from operating activities	(6,454)	2,758
Investing activities		
Purchase of holdings in associates	(4)	(72)
Sale of holdings in associates	0	5
Purchase of property, plant and equipment	(127)	(153)
Sale of property, plant and equipment	8	25
Cash flows from investing activities	(123)	(195)
Financing activities		
Purchase and sale of own holdings	26	371
Dividend	-	-
Share issue	-	855
Raising of subordinated capital	(795)	(1,095)
Issue of bonds	2,620	(1,473)
Cash flows from financing activities	1,851	(1,342)
Cash flows for the year	(4,726)	1,221
Cash equivalent positions at 1 Jan	7,421	6,200
Cash flows for the year (changes during the year)	(4,726)	1,221
Cash equivalent positions at 31 Dec	2,695	7,421
Cash equivalent positions at 31 Dec		
Cash and balances on demand at central banks	855	863
Fully secured and cash equivalent balances on demand with credit institutions and insurance companies	1,840	3,559
Unencumbered certificates of deposit	-	2,999
Cash equivalent positions at 31 Dec	2,695	7,421

Notes

Note 1 Accounting policies

Basis of preparation

The financial statements of the Sydbank Group have been prepared in compliance with International Financial Reporting Standards (IFRS) as adopted by the EU. The financial statements of the parent, Sydbank A/S, have been prepared in compliance with the Danish Financial Business Act, including the executive order on financial reporting of credit institutions and brokerage firms etc, which is in compliance with recognition and measurement under IFRS apart from the measurement of holdings in subsidiaries and associates at equity value.

Furthermore the annual report has been prepared in compliance with additional Danish disclosure requirements for annual reports of listed financial companies.

New accounting policies

The following have been implemented effective as from 1 January 2010:

- Amendment to IFRS 1: First-Time Adoption of IFRS
- Amendment to IFRS 2: Share-based Payment
- Amendment to IFRS 3 (Revised 2008): Business Combinations
- Amendment to IAS 27 (Revised 2008): Consolidated and Separate Financial Statements
- Amendment to IAS 32: Financial Instruments: Presentation
- Amendment to IAS 39: Financial Instruments: Recognition and Measurement
- Amendment to IFRIC 9: Reassessment of Embedded Derivatives
- IFRIC 18: Transfers of Assets from Customers
- Parts of improvements to IFRS May 2008 effective as from 1 July 2009
- Improvements to IFRS April 2009.

The amendments to IFRS 3 and IAS 27 apply to transactions conducted on or after 1 January 2010. The standards include a number of new provisions, the most significant being:

- An option to recognise goodwill related to the non-controlling interests' share of the enterprise acquired. This option is available on a transaction-by-transaction basis.

- Acquisition costs and adjustments to contingent consideration are recognised in profit or loss.
- Clarification of requirements for separate recognition of acquired intangible assets.
- Step acquisitions entail value adjustment at fair value directly in profit or loss of previously held holdings.
- Gains/losses on the sale of holdings (whereby there is a loss of control) are recognised in profit or loss. At the same time any retained holding in the enterprise in question is re-measured at fair value and recognised in the income statement.
- Acquisition/disposal of non-controlling interests (without loss of control) is recognised directly in equity.

Sydbank's implementation of the new financial reporting standards and interpretations (IFRIC) has not had any effect on recognition and measurement in the consolidated financial statements for 2010. The new standards and interpretations have resulted in a few changes in disclosures in the notes as well as in names of statements and items.

As from the 2010 financial statements, collateral provided and received concerning CSA agreements is recognised under "Other assets" and "Other liabilities". Previously collateral provided and received concerning CSA agreements was recognised under "Amounts owed by credit institutions and central banks" and "Amounts owed to credit institutions and central banks".

As at 31 December 2009 collateral provided and recognised under "Amounts owed by credit institutions and central banks" represented DKK 1,148m. Collateral received and recognised under "Amounts owed to credit institutions and central banks" constituted DKK 92m. The comparative figures for 2009 have been restated.

The accounting policies applied are consistent with those adopted in the preceding year apart from the above.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable

that future economic benefits will flow to the Group and the value of the asset can be measured reliably. Liabilities are recognised in the balance sheet when they are probable and can be measured reliably.

On initial recognition assets and liabilities are measured at fair value. Subsequent measurement of assets and liabilities is as described for each item below.

Recognition and measurement take into account gains, losses and risks arising before the presentation of the financial statements and which confirm or invalidate circumstances existing at the balance sheet date.

Income is recognised in the income statement as earned. Costs incurred to earn the year's income are recognised in the income statement. Value adjustments of financial assets, financial liabilities and derivatives are recognised in the income statement apart from value adjustments of instruments used to provide foreign currency hedge of net investments in foreign subsidiaries and associates. The latter value adjustments are recognised in the statement of comprehensive income. Purchase and sale of financial instruments are recognised on the settlement date.

Significant recognition and measurement principles

Consolidated financial statements

The consolidated financial statements include the parent, Sydbank A/S, as well as subsidiaries in which Sydbank A/S exercises control over financial and operating policies. Group holdings and enterprises (note 41) lists the consolidated entities.

The consolidated financial statements combine the financial statements of the parent and the individual subsidiaries in accordance with the Group's accounting policies, in which intra-group income and costs, shareholdings, balances and dividends as well as realised and unrealised gains on intra-group transactions have been eliminated.

Enterprises acquired are included from the date of acquisition.

The assets (including identifiable intangible assets) as well as the liabilities and contingent liabilities of the enterprises acquired are recognised at the date of acquisition at fair value in accordance with the acquisition method.

Where the cost of acquisition exceeds the fair value of the net assets of the enterprise acquired, the difference is recognised as goodwill. Goodwill is carried at the functional currency of the enterprise acquired. Where the fair value of net assets exceeds the cost of acquisition (negative goodwill), the difference is recognised as income in the income statement at the date of acquisition.

Divested enterprises are included until the transfer date.

Foreign currency translation

The consolidated financial statements are presented in Danish kroner, the functional currency of the parent. Transactions in foreign currencies are translated at the exchange rate on the date of transaction. Balances in foreign currencies are translated at the closing rate.

Offsetting

The Group sets off assets and liabilities only when the Group has a legally enforceable right to set off the recognised amounts and intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income criteria

Income and expenses are accrued over the periods to which they relate and are recognised in profit or loss at the amounts relevant to the accounting period. Fees and commission concerning loans and advances and amounts owed are recognised in the carrying amounts of loans and advances and amounts owed and are recognised in profit or loss over the life of the loans as part of the effective interest rate. Guarantee commission is recognised as income over the life of the guarantees. Income for implementing a given transaction, including

Notes

Note 1 Accounting policies – continued

securities fees and payment service fees, is recognised as income when the transaction has been implemented.

Core income

Core income is defined as net income before costs excluding investment portfolio income. Core income comprises core income excluding trading income, and trading income. Trading income derives from trading in financial instruments as well as gains/losses on the related trading portfolio. Trading income also comprises income relating to asset management and advisory services, including commission and fees from investment funds and the Bank's pooled plans as well as custody fees.

Core earnings before impairment of loans and advances etc

Core earnings before impairment charges for loans and advances etc represent total core income less costs relating to core income.

Core earnings

Core earnings represent total core income less costs and impairment charges for loans and advances etc relating to core income.

Investment portfolio earnings

Investment portfolio earnings represent the return on the portfolios of shares, bonds, derivatives and holdings managed by the Treasury department within Sydbank Markets. Investment portfolio earnings are less funding charges and costs.

Government guarantee

The Bank participated in the government guarantee scheme which expired on 30 September 2010. Guarantee commission is recognised on a straight-line basis in the income statement over the guarantee period and is presented under "Other operating expenses". The Bank's cover of losses under the scheme is recognised in the income statement under "Impairment of loans and advances etc".

Repo and reverse transactions

Securities sold under agreements to repurchase the same are recognised in the balance sheet as if the securities were still part of the portfolio. Consideration received is recognised as a debt and the difference between selling and buying prices is recognised over the life as interest in profit or loss. Gains or losses on securities are recognised in the income statement.

Securities bought under agreements to resell the same are not recognised in the balance sheet and gains or losses are not recognised in profit or loss. Consideration paid is recognised as a receivable and the difference between buying and selling prices is recognised over the life as interest in profit or loss.

Repo and reverse transactions are recognised and measured at fair value as they are regarded as an integral part of the trading portfolio and form part of ongoing risk management and determination of gains thereon.

Amounts owed and loans and advances

Initial recognition of amounts owed by credit institutions and central banks as well as loans and advances is at fair value plus transaction costs and less origination fees received.

Subsequent measurement of amounts owed by credit institutions etc and loans and advances that are not reverse transactions is at amortised cost less impairment charges.

Amounts owed by credit institutions and central banks at amortised cost are all assessed individually to determine whether objective evidence of impairment exists. Significant amounts owed and loans and advances are all assessed to determine whether objective evidence of impairment exists.

There is objective evidence of impairment of amounts owed and loans and advances if one or more of the following events have occurred:

- Considerable financial difficulties on the part of the debtor.
- Breach of contract by the debtor, for instance by way of failure to fulfil the payment obligations as regards instalments and interest.
- Terms granted to the debtor by the Group, which would otherwise not have been considered if the debtor had not been experiencing financial difficulties.
- The likelihood of bankruptcy or other financial restructuring on the part of the debtor.

Impairment charges are determined individually when there is objective evidence of impairment at an individual level.

Individually assessed loans and advances without impairment as well as other loans and advances are subsequently assessed at portfolio level. If there is objective evidence of impairment at portfolio level an impairment test is carried out where the expected future cash flows are estimated on the basis of the historical loss experience adjusted for the effects of prevailing conditions. The impairment charge for the portfolio is calculated in a ratings based model where loans and advances are grouped according to client ratings at the balance sheet date. Where migration towards poorer ratings is registered, impairment charges are made on a net basis.

Impairment charges calculated via the ratings based approach are supplemented by the effect of events unaccounted for by the model.

Impairment charges are determined as the difference between amortised cost and the discounted value of the expected future cash flows, including the realisable value of any collateral. Individual impairment charges are determined on the basis of the most likely outcome of the cash flows. Any subsequent increase in the discounted value of the expected cash flows will result in reversal in full or in part of the impairment charge. Determination of the discounted value is based on the original effective interest rate as regards fixed-rate loans and advances

and the current effective interest rate as regards floating-rate loans and advances.

Interest calculated on the impaired value is recognised as income when impairment charges for loans and advances are recognised.

Leasing

Leased assets in connection with finance leases in which the Group is the lessor are recognised under loans and advances at the net investment in the leases less amortisation (repayment), which is computed according to the annuity method over the lease term. Income from the leased assets is recognised on the basis of the agreed effective interest rate of the leases and is recognised in profit or loss under "Interest income". Sales proceeds from leased assets are recognised under "Other operating income".

Bonds and shares etc

Bonds and shares etc are recognised and measured at fair value. The fair value option is applied to shares outside the trading portfolio as they form part of a portfolio which is managed and measured at fair value. The fair value is the amount for which a financial asset can be exchanged between knowledgeable, willing parties.

In an active market, fair value is expressed by a quoted price alternatively by a model value based on recognised models and observable market data.

In a less active or inactive market, fair value is a model value based on recognised models and observable market data for similar assets.

A limited number of bonds and shares are measured on the basis of models and available data that only to a limited extent are observable market data.

Notes

Note 1 Accounting policies – continued

Determination of fair value of unlisted shares and other holdings is based on available information about trades etc or alternatively based on expected future cash flows. If a reliable fair value cannot be determined, measurement will be at cost less any impairment charges. Purchase and sale of securities are recognised on the settlement date.

Holdings in subsidiaries

Holdings in subsidiaries are measured at the equity value of the entities in the financial statements of the parent. The proportionate share of the profit or loss after tax of the entities is recognised under “Profit/(Loss) on holdings in associates and subsidiaries”.

Holdings in associates

Associates are entities, other than subsidiaries, in which the Group has holdings and significant influence but not control. Holdings in associates are recognised at cost at the date of acquisition and subsequent measurement is at the proportionate share of the equity value of the entities plus acquired goodwill and other balances in connection with the acquisition. The proportionate share of the profit or loss after tax of the entities is recognised under “Profit/(Loss) on holdings in associates and subsidiaries”.

Derivatives and hedge accounting

Derivatives are recognised and measured at fair value. Positive market values are recognised under “Other assets”. Negative market values are recognised under “Other liabilities”.

Market value adjustment of derivatives, mainly interest rate swaps concluded for the purpose of hedging the interest rate risk of fixed-rate loans and advances, generates immediate asymmetry in the financial statements as fixed-rate loans and advances are measured at amortised cost. The macro hedging rules of IFRS aim to eliminate this asymmetry. The calculated change in the fair value of the loans and advances effectively hedged is recognised in the balance sheet under “Other assets” or under “Other liabilities” and is recognised in profit or loss under “Market value adjustments”.

Pooled plans

All pooled assets and deposits are recognised in separate balance sheet items. Return on pooled assets and distribution to holders of pooled assets are recognised under “Market value adjustments”.

Intangible assets

Intangible assets concern the value of customer relations acquired in connection with the acquisition of bankTrelleborg. The value of the customer relations acquired is measured at cost less accumulated amortisation and impairment charges. The value of customer relations acquired is amortised over the expected useful life of 15 years.

Investment property

Investment property is property mainly held to earn rental income and/or for capital appreciation.

Investment property is recognised on acquisition at cost and subsequent measurement is at fair value. Fair value adjustments as well as rental income are recognised in the income statement under “Market value adjustments” and “Other operating income”, respectively. The fair value of investment property is determined on the basis of a systematic assessment of the expected return on the property. Investment property is not depreciated.

Owner-occupied property

Owner-occupied property is property mainly used by the Group to operate its banking business.

Owner-occupied property is recognised on acquisition at cost and subsequently carried at a revalued amount corresponding to the fair value at the date of the revaluation less depreciation and impairment charges. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.

Where the carrying amount decreases as a result of the revaluation of land and buildings, the decrease is charged to the

income statement to the extent that any credit balance exists in the revaluation reserves in equity as a result of a previous revaluation of such asset. Any increase as a result of the revaluation of land and buildings is recognised in the revaluation reserves except where the increase reverses a decrease in the revaluation of the same asset previously recognised as an impairment charge. Owner-occupied property is depreciated on a straight-line basis over the expected useful life of 50 years, taking into account the expected residual value at the expiry of the useful life.

As regards ongoing measurement of land and buildings, the value of the individual property is measured on the basis of the return method. The underlying assumptions, return and return percentage are assessed by external property valuers.

As regards small properties, fair value measurement is based on the public land assessment.

Depreciation and impairment charges are recognised in the income statement under "Depreciation and impairment of property, plant and equipment".

Other property, plant and equipment

Other property, plant and equipment is measured at cost less depreciation and impairment charges. Depreciation is provided on a straight-line basis over the expected useful life, typically 3-5 years. Leasehold improvements are depreciated over the term of the lease.

Depreciation and impairment charges are recognised in the income statement under "Depreciation and impairment of property, plant and equipment".

Other assets

This item includes assets not recognised under other asset items, eg positive market values of spot transactions, collateral provided in connection with CSA agreements and derivatives as well as interest receivable.

Dividends

Proposed dividend is recognised as a liability at the date of adoption at the AGM. Proposed dividend for the year is recognised as a separate item in equity until adoption.

Own shares

Consideration paid or received in connection with the Group's purchase and sale of Sydbank shares is recognised directly in equity.

Other liabilities

This item includes negative market values of spot transactions, collateral received in connection with CSA agreements, negative portfolio reverse transactions and derivatives, interest payable and provisions for employee benefits.

Wages and salaries, payroll tax, social security contributions and compensated absence are recognised in the financial year in which the associated service has been rendered by the Group's employees. Costs relating to the Group's long-term employee benefits are accrued and follow the services rendered by the employees in question. Pension contributions are paid into the employees' pension plans on a continuing basis and are charged to the income statement – with the exception of two contracts where the capitalised value of the pension obligations has been provided for. Changes in the capitalised value of pension obligations are recognised in the income statement on an ongoing basis.

Provisions

Provisions include provisions for guarantees, provisions for onerous contracts and legal actions etc. Initial recognition of financial guarantees is at fair value which is often equal to the guarantee premium received.

Subsequent measurement of guarantees is at the higher of the guarantee premium received amortised over the guarantee period and any provision made.

A provision for a guarantee or an onerous contract is recognised if claims for payment under the guarantee or contract are

Notes

Note 1 Accounting policies – continued

probable and the size of the liability can be measured reliably. Provisions are based on management's best estimates of the size of the liabilities. Measurement of provisions includes discounting when significant.

Financial liabilities

Deposits, bonds issued, subordinated capital and amounts owed to credit institutions etc are recognised initially at the proceeds received net of transaction costs incurred.

Subsequent measurement of deposits, bonds issued, subordinated capital and amounts owed to credit institutions etc that are not repo transactions is at amortised cost using the effective interest rate method whereby the difference between net proceeds and nominal value is recognised in the income statement under "Interest expense" over the loan period.

Other liabilities are measured at the net realisable value.

Assets in temporary possession

Assets in temporary possession include property, plant and equipment and disposal groups held for sale. Assets are classified as being in temporary possession when their carrying amount will be recovered principally through a sale transaction within 12 months in accordance with a formal plan. Assets or disposal groups in temporary possession are measured at the lower of the carrying amount and fair value less costs to sell. Assets are not depreciated or amortised from the time when they are classified as being in temporary possession.

Impairment losses arising at initial classification as assets being in temporary possession and gains or losses at subsequent measurement at the lower of the carrying amount and fair value less costs to sell are recognised in profit or loss under the items they concern.

Tax

Danish consolidated entities are subject to compulsory joint taxation. The Group has not opted for international joint tax-

ation. Sydbank A/S has been appointed the management company of the joint taxation entity. Corporation tax on income subject to joint taxation is fully distributed on payment of joint taxation contributions between the Danish consolidated entities. Tax for the year includes tax on taxable income for the year, adjustment of deferred tax as well as adjustment of prior year tax charges. Tax for the year is recognised in the income statement as regards the elements attributable to profit for the year and directly in equity as regards the elements attributable to items recognised directly in equity.

Current tax liabilities and current tax assets are recognised in the balance sheet as calculated tax on taxable income for the year adjusted for tax on taxable income of previous years as well as of tax paid on account.

Provisions for deferred tax are based on the balance sheet liability method and include temporary differences between the carrying amounts and the tax base of the balance sheets of each consolidated entity as well as tax loss carryforwards that are expected to be realised. In addition provisions for deferred tax are made to cover retaxation of previously deducted tax losses in the foreign subsidiary which has withdrawn from joint taxation. Calculation of deferred tax is based on current tax law and tax rates at the balance sheet date.

Changes in deferred tax due to changes in the tax rates are recognised in profit or loss.

Cash flow statement

The cash flow statement presents the cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and end of the year. The cash flow statement is presented using the indirect method based on profit before tax.

The cash flow effect of the acquisition and disposal of entities is shown separately under cash flows from investing activities. The cash flow statement recognises cash flows concerning

enterprises acquired from the date of acquisition and cash flows concerning divested enterprises until the transfer date.

Cash flows from operating activities are determined as profit before tax for the year adjusted for non-cash operating items, taxes paid as well as changes in working capital.

Cash flows from investing activities include purchase and sale of property, plant and equipment, intangible assets as well as holdings in associates.

Cash flows from financing activities include dividends paid as well as changes in equity, subordinated capital and bonds issued.

Cash and cash equivalents comprise cash and balances on demand at central banks, fully secured cash and cash equivalent balances on demand at credit institutions and insurance companies as well as unencumbered certificates of deposit.

Segment reporting

The Group consists of a number of business units and central joint functions. The business units are segmented according to product and services characteristics. Segment reporting complies with the Group's accounting policies as regards recognition and measurement. Inter-segment transactions are settled on an arm's length basis. Expenses incurred centrally are charged to the business units in accordance with their estimated proportionate share of overall activities.

Forthcoming standards and interpretations

The International Accounting Standards Board (IASB) has issued a number of amendments to the existing International Accounting Standards (IAS), the International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) which are not mandatory for the Group in connection with the preparation of the financial statements for 2010. The Group does not plan to implement the new standards and

interpretations until they become mandatory. None of the new adopted standards or interpretations are expected to have any significant impact on the Group's financial reporting.

One of the annual amendments in 2010 is IAS 34: Interim Financial Reporting. The standard will solely affect the Group's interim financial reporting disclosures. The required disclosures under the standard will be designated "minimum components" and not as previously "selected explanatory notes", as a result of which the disclosure requirements are expanded. Further examples of significant events and transactions that require disclosure have been added to the list of required disclosures. Moreover interim financial statements must include updates on significant events and transactions disclosed in the most recent consolidated financial statements. The amendments will apply to financial years beginning on or after 1 January 2011.

IFRS 9 (Phase 1) changes the classification and measurement requirements for financial assets (current IAS 39). In future the main categories for measuring financial assets will be amortised cost and fair value either through profit or loss or other comprehensive income. The existing categories are fair value through profit or loss, available for sale, held to maturity as well as loans and advances and amounts owed. In relation to Sydbank this is predominantly a matter of new terminology. Sydbank does not expect that the standard will have any significant impact on the Group, but the effect has not been determined yet. The standard will apply to financial years beginning on or after 1 January 2013.

In relation to the above the IASB is in the process of completely replacing the requirements for recognising and measuring financial assets and liabilities (IAS 39 and IAS 32). The not yet adopted amendments concerning impairment charges for loans and advances and amounts owed at amortised cost as well as hedging of fixed-rate assets may have a significant impact on the Group's financial reporting. However the potential impact cannot yet be estimated.

Notes

Note 2 Accounting estimates and judgements

Determination of the carrying amounts of certain assets and liabilities requires estimates as to how future events will affect the value of such assets and liabilities at the balance sheet date.

Estimates significant to financial reporting are made for instance by determining the fair values of unlisted financial instruments as well as of impairment charges for loans and advances where determination is based on the most likely outcome of the cash flows.

Estimates are based on assumptions considered reasonable by management but which by their nature are uncertain. They may prove to be incomplete or inaccurate as a result of developments differing from projections in the external environment in which the Group operates or in other respects relating to clients or business relations.

Impairment charges for loans and advances and other amounts owed involve significant estimates in relation to the quantification of the risk of not receiving all future payments. If it can be ascertained that not all future payments will be received, determination of the size of the expected payments, including realisable values of collateral and expected dividend payments from estates, is also subject to significant estimates. Moreover as regards provisions for guarantees there is an element of uncertainty in determining the extent to which the guarantee will become effective in the event of the financial breakdown of the guarantee applicant.

Measurement of financial instruments is based on quoted prices from an active market, on generally accepted valuation models with observable market data or on available data that only to a limited extent are observable market data.

Measurement of financial instruments for which prices are quoted in an active market or which are based on generally

accepted valuation models with observable market data are not subject to significant estimates.

As regards financial instruments where measurement is based on available data that only to a limited extent are observable market data, such as unlisted shares and certain bonds, including CDOs, for which there is no longer an active market, measurement is affected by estimates.

Reference is made to note 38 concerning the fair values of financial assets and liabilities.

Note 3 Solvency

The Group has adopted the following methods and approaches to calculate solvency:

Credit risk outside trading portfolio, retail clients	Advanced IRB
Credit risk outside trading portfolio, corporate clients	Foundation IRB
Credit risk outside trading portfolio, financial counterparties	Standardised Approach
Counterparty risk	Mark-to-Market Method
Valuation of collateral	Financial Collateral Comprehensive Method
Market risk	Standardised Approach
Operational risk	Standardised Approach

A small proportion of exposures to retail and corporate clients is not yet comprised by internal methods or approaches, see page 75.

The Group's portfolio of equity investments includes strategic sector shares etc and is included under credit risk outside the trading portfolio in the Group's solvency calculation.

Various types of collateral are used to reduce the risk of the Group's lending portfolio. The most significant types of collateral comprise charges and guarantees.

Charges include deposit accounts and financial assets in the form of bonds and shares. The Group ensures that the items charged are separate from clients' right of disposal and that the charge is of legal validity. Valuation is ensured via the requirements of the Financial Collateral Comprehensive Method according to the executive order on capital adequacy which reduces the value of collateral on the basis of issuer, maturity and liquidity.

The Group has concluded netting agreements with all significant counterparties.

Notes

Note 3 Solvency – continued	Sydbank Group	
DKKm	2010	2009
Solvency ratio	15.4	15.2
Core capital ratio	14.3	13.1
Capital base after deductions		
Shareholders' equity	9,554	9,118
Revaluation reserves	(110)	(112)
Proposed dividend	(84)	-
Intangible assets and capitalised tax assets	(24)	(25)
Core capital (excl hybrid core capital)	9,336	8,981
Hybrid core capital	1,384	1,386
50% of holdings > 10%	(161)	(105)
50% of difference between expected losses and accounting provisions and accounting value adjustment	-	(33)
50% of the value of transferred payments etc with delivery risk	-	(5)
Core capital (incl hybrid core capital) after deductions	10,559	10,224
Subordinated loan capital	945	1,744
Revaluation reserves	110	112
Capital base before deductions	11,614	12,080
50% of holdings > 10%	(161)	(105)
50% of difference between expected losses and accounting provisions and accounting value adjustment	-	(33)
50% of the value of transferred payments etc with delivery risk	-	(5)
Holdings in associates	(124)	(128)
Capital base after deductions	11,329	11,809
Credit risk	58,040	62,608
Market risk	8,298	8,764
Operational risk	7,378	6,537
Risk-weighted assets	73,716	77,909
Capital requirement under Pillar I	5,897	6,233

Note 4 Segment reporting

Business segments

The Group consists of a number of business units and central joint functions. The business units are segmented according to product and services characteristics.

Banking serves all types of retail and corporate clients. Wealthy clients are served via investment centres.

Sydbank Markets is responsible for the Group's activities in the financial markets. Activities include trading in interest rate products, foreign exchange and shares as well as derived necessary position-taking.

Treasury manages the Group's strategic interest rate, foreign exchange and equity positions (treasury positions).

Other includes non-recurring items, contribution to the Private Contingency Association, costs to the Group Executive Management etc as well as return on strategic shareholdings that cannot be allocated to Banking or Sydbank Markets.

Inter-segment transactions are settled on an arm's length basis. Costs incurred centrally are charged to the business units in accordance with their estimated proportionate share of overall activities.

Surplus liquidity is settled primarily at short-term money market rates, whereas other balances are settled on an arm's length basis.

DKKm	Banking	Sydbank Markets	Treasury	Other	Total
Business segments 2010					
Core income excl trading income	3,318	(17)	-	3	3,304
Trading income	782	508	-	-	1,290
Core income	4,100	491	-	3	4,594
Costs, core earnings	2,128	292	10	59	2,489
Impairment of loans and advances etc	1,399	1	-	-	1,400
Core earnings	573	198	(10)	(56)	705
Investment portfolio income	-	-	226	11	237
Profit before non-recurring items	573	198	216	(45)	942
Non-recurring items, net	-	-	-	-	-
Profit before contribution to the Private Contingency Association etc	573	198	216	(45)	942
Contribution to the Private Contingency Association etc	-	-	-	384	384
Profit before tax	573	198	216	(429)	558
Depreciation and impairment of property, plant and equipment	138	12	-	3	153
Full-time staff at 31 Dec	2,055	174	6	49	2,284

Notes

Note 4 Segment reporting – continued

DKKkm	Banking	Sydbank Markets	Treasury	Other	Total
Business segments 2009					
Core income excl trading income	3,267	53	-	-	3,320
Trading income	648	618	-	-	1,266
Core income	3,915	671	-	-	4,586
Costs, core earnings	2,126	288	10	52	2,476
Impairment of loans and advances etc	1,191	4	-	-	1,195
Core earnings	598	379	(10)	(52)	915
Investment portfolio income	-	-	456	(16)	440
Profit before non-recurring items	598	379	446	(68)	1,355
Non-recurring items, net	-	-	-	86	86
Profit before contribution to the Private Contingency Association	598	379	446	18	1,441
Contribution to the Private Contingency Association	-	-	-	443	443
Profit before tax	598	379	446	(425)	998
Depreciation and impairment of property, plant and equipment	118	12	-	5	135
Full-time staff at 31 Dec	2,128	177	7	57	2,369

Under IFRS, revenues from transactions with a single client exceeding 10% must be disclosed. The Sydbank Group has no such clients.

The Sydbank Group's internal financial reporting is not made on the basis of products and services. Reference is made to notes 5 and 8 for the distribution of interest income as well as fee and commission income.

DKKkm	Core income	2010 Assets	Core income	2009 Assets
Geographical segments				
Denmark	4,402	1,404	4,412	1,442
Abroad	192	66	174	67
Total	4,594	1,470	4,586	1,509

Income from external clients is broken down by organisational affiliation within the Sydbank Group. Assets, comprising only intangible assets, land and buildings, other property, plant and equipment as well as holdings in associates, are broken down by location.

Geographical segmentation of Group income and assets is disclosed in compliance with IFRS and does not reflect the Group's management structure. Management is of the opinion that business segmentation provides a more informative description of the Group's activities.

Note 5 Interest income	Sydbank Group		Sydbank A/S	
	2010	2009	2010	2009
DKKm				
Reverse transactions with credit institutions and central banks	23	55	23	55
Amounts owed by credit institutions and central banks	96	171	100	172
Reverse loans and advances	79	304	79	304
Loans and advances and other amounts owed	3,157	3,786	3,142	3,781
Bonds	752	1,216	752	1,216
Total derivatives	68	148	69	149
comprising				
Foreign exchange contracts	157	288	158	289
Interest rate contracts	(91)	(145)	(91)	(145)
Other contracts	2	5	2	5
Other interest income	14	15	14	15
Total	4,189	5,695	4,179	5,692
Fair value, designated at initial recognition	102	359	102	359
Fair value, held for trading	820	1,364	821	1,365
Assets recognised at amortised cost	3,267	3,972	3,256	3,968
Total	4,189	5,695	4,179	5,692

Note 6 Interest expense

Repo transactions with credit institutions and central banks	110	24	110	24
Credit institutions and central banks	191	637	193	639
Repo deposits	2	7	2	7
Deposits and other debt	481	1,327	481	1,327
Bonds issued	125	184	125	184
Subordinated capital	61	110	61	110
Other interest expense	1	1	1	1
Total	971	2,290	973	2,292
Fair value, designated at initial recognition	12	31	112	31
Liabilities recognised at amortised cost	859	2,259	861	2,261
Total	971	2,290	973	2,292

Notes

Note 7 Dividends on shares	Sydbank Group		Sydbank A/S	
	DKKm	2010	2009	2010
Fair value, designated at initial recognition	18	24	18	24
Fair value, held for trading	4	7	4	7
Total	22	31	22	31

Note 8 Fee and commission income

Securities trading and custody accounts	748	605	719	583
Payment services	199	161	199	161
Loan fees	95	84	95	84
Guarantee commission	116	93	116	93
Other fees and commission	172	171	164	167
Total fee and commission income	1,330	1,114	1,293	1,088
Total fee and commission expense	184	151	184	156
Net fee and commission income	1,146	963	1,109	932
Fees and commission concerning financial assets and liabilities	197	165	197	165
Fees and commission from management activities	324	238	315	231
Other fees and commission	625	560	597	536
Net fee and commission income	1,146	963	1,109	932

Note 9 Market value adjustments

Other loans and advances and amounts owed at fair value	0	(6)	0	(6)
Bonds	302	294	302	294
Shares etc	81	226	81	226
Investment property	0	0	0	0
Foreign exchange	238	247	228	243
Derivatives	(207)	(94)	(207)	(94)
Assets related to pooled plans	459	753	459	753
Deposits in pooled plans	(459)	(753)	(459)	(753)
Other assets/liabilities	6	0	6	0
Total	420	667	410	663
Fair value, held for trading, trading portfolio	394	530	384	526
Fair value, designated at initial recognition, equity investments	26	137	26	137
Total	420	667	410	663

Note 10 Other operating income	Sydbank Group		Sydbank A/S	
	2010	2009	2010	2009
DKKkm				
Rental income – real property	12	11	12	11
Other operating income	11	12	10	11
Total	23	23	22	22

Note 11 Staff costs and administrative expenses

Salaries and remuneration

Group Executive Management	21	12	21	12
Board of Directors	4	3	4	3
Shareholders' Committee	2	2	2	2
Total	27	17	27	17

Staff costs

Wages and salaries	1,187	1,201	1,161	1,180
Pensions	131	138	127	135
Social security contributions	15	15	13	14
Payroll tax	93	83	93	83
Total	1,426	1,437	1,394	1,412

Other administrative expenses

IT	513	500	505	495
Rent etc	145	161	147	165
Marketing and entertainment expenses	84	76	81	74
Other costs	158	150	147	139
Total	900	887	880	873
Total	2,353	2,341	2,301	2,302

Audit fees

Statutory audit	1	1	1	1
Assurance engagements	0	1	0	1
Tax consultancy	0	0	0	0
Audit fees in foreign entities	1	1	1	0
Total	2	3	2	2

In addition to fees paid to the independent auditor, expenses have been incurred to operate the Group's Internal Audit.

Staff

Average number of staff (full-time equivalent)	2,364	2,459	2,334	2,427
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Notes

Note 11 Staff costs and administrative expenses – continued	Sydbank Group	
	2010	2009
DKK thousand		
Directors' remuneration		
Kresten Philipson	573	533
Anders Thoustrup	463	427
Svend Erik Busk	325	237
Otto Christensen (resigned as of 30 November 2010)	247	238
Peder Damgaard	247	238
Harry Max Friedrichsen	247	238
Peter Gæmelke (resigned as of 7 October 2010)	247	238
Hanni Toosbuy Kasprzak	247	238
Per Olesen (resigned as of 4 March 2010)	61	238
Sven Rosenmeyer Paulsen	247	238
Steen Tophøj (member as of 4 March 2010)	187	-
Jan Uldahl-Jensen	247	238
Margrethe Weber	247	238
Total	3,585	3,339
Of which committee fees (Audit Committee) *	231	169

* Svend Erik Busk (Committee Chairman), Kresten Philipson and Anders Thoustrup have each received DKK 77,000.

DKKm	Karen Frøsig	Carsten Andersen	Preben L. Hansen	Allan Nørholm
Remuneration of the Group Executive Management				
2010				
Contractual remuneration	3.1	2.1	3.2	2.6
Pension	-	-	-	-
Severance pay	-	8.4	-	-
Bonus (2009)	0.3	0.5	0.4	0.3
Total	3.4	11.0	3.6	2.9
2009				
Contractual remuneration	2.1	3.3	2.5	2.0
Pension	0.4	0.7	0.5	0.4
Total	2.5	4.0	3.0	2.4

Resigned
31 May 2010

Group Executive Management – severance terms

Karen Frøsig, Preben Lund Hansen and Allan Nørholm

The notice of termination is 6 and 12 months for the Group Executive Management member and the Bank, respectively. In respect of dismissal by the Bank, the Group Executive Management member is entitled to receive severance pay equal to 12 months' salary.

Note 12 Impairment of loans and advances etc	Sydbank Group		Sydbank A/S	
	2010	2009	2010	2009
DKKm				
Impairment of loans and advances recognised in the income statement				
Impairment and provisions	709	972	709	973
Write-offs	880	465	880	465
Recovered from debt previously written off	33	69	33	69
Impairment of loans and advances etc	1,556	1,368	1,556	1,369
Impairment and provisions at 31 Dec				
Individual impairment and provisions	1,597	1,637	1,597	1,605
Collective impairment and provisions	166	141	166	141
Impairment and provisions at 31 Dec	1,763	1,778	1,763	1,746
Individual impairment of loans and advances and provisions for guarantees				
Impairment and provisions at 1 Jan	1,637	954	1,605	904
Exchange rate adjustment	7	0	0	0
Impairment and provisions during the year	705	1,052	705	1,053
Other movements	94	0	94	0
Write-offs covered by impairment and provisions	846	369	807	352
Impairment and provisions at 31 Dec	1,597	1,637	1,597	1,605
Individual impairment of loans and advances	1,565	1,397	1,565	1,365
Individual provisions for guarantees	32	240	32	240
Impairment and provisions at 31 Dec	1,597	1,637	1,597	1,605
Collective impairment of loans and advances and provisions for guarantees				
Impairment and provisions at 1 Jan	141	152	141	152
Impairment and provisions during the year	25	(11)	25	(11)
Impairment and provisions at 31 Dec	166	141	166	141
Sum of loans and advances and amounts owed subject to collective impairment and provisions	12,231	21,855	12,231	21,855
Collective impairment and provisions	166	141	166	141
Loans and advances and amounts owed after collective impairment and provisions	12,065	21,714	12,065	21,714
Individual impairment of loans and advances subject to objective evidence of impairment				
Balance before impairment of individually impaired loans and advances	3,020	3,126	3,019	3,093
Impairment of individually impaired loans and advances	1,565	1,397	1,564	1,365
Balance after impairment of individually impaired loans and advances	1,455	1,729	1,455	1,728
Accrued interest concerning individually and collectively impaired loans and advances represents DKK 767m for 2010 (2009: DKK 1,248m).				
Note 13 Profit on holdings in associates and subsidiaries				
Profit on holdings in associates etc	2	23	2	23
Profit on holdings in subsidiaries	-	-	(8)	2
Total	2	23	(6)	25

Notes

Note 14 Tax	Sydbank Group		Sydbank A/S	
	2010	2009	2010	2009
DKK m				
Tax calculated on profit for the year	135	37	134	38
Deferred tax	17	183	17	183
Adjustment of prior year tax charges	(5)	(3)	(5)	(2)
Total	147	217	146	219
Tax on equity items				
Tax on equity items concerning current tax	-	62	-	62
Total	-	62	-	62
Effective tax rate				
Current tax rate of Sydbank	25.0	25.0	25.0	25.0
Permanent differences	2.3	(3.1)	2.1	(3.0)
Adjustment of prior year tax charges	(0.9)	(0.1)	(0.9)	(0.1)
Effective tax rate	26.4	21.8	26.2	21.9
Deferred tax				
Deferred tax at 1 Jan	197	14	201	18
Deferred tax for the year	17	183	17	183
Deferred tax at 31 Dec, net	214	197	218	201
Deferred tax assets	11	11	7	7
Deferred tax liabilities	225	208	225	208
Deferred tax at 31 Dec, net	214	197	218	201

DKK m	Sydbank Group					
	2010			2009		
	1 Jan	Recognised in profit for the year	31 Dec	1 Jan	Recognised in profit for the year	31 Dec
Deferred tax						
Loans and advances at amortised cost	189	8	197	150	39	189
Land and buildings	1	-	1	3	(2)	1
Property, plant and equipment	(30)	-	(30)	(30)	-	(30)
Intangible assets	4	(1)	3	4	-	4
Other assets	67	8	75	61	6	67
Provisions	(2)	1	(1)	(2)	-	(2)
Other liabilities	(30)	2	(28)	(28)	(2)	(30)
Capitalised losses, foreign entities	(4)	-	(4)	(3)	(1)	(4)
Capitalised losses, jointly taxed income	-	-	-	(143)	143	-
Retaxation balance	2	(1)	1	2	-	2
Deferred tax at 31 Dec, net	197	17	214	14	183	197

Note 15 Amounts owed by credit institutions and central banks DKKm	Sydbank Group		Sydbank A/S	
	2010	2009	2010	2009
Amounts owed at notice by central banks	215	3,554	215	3,554
Amounts owed by credit institutions	7,312	8,935	7,802	9,240
Total	7,527	12,489	8,017	12,794
On demand	2,077	2,462	2,023	2,427
3 months or less	2,572	8,964	3,116	9,304
Over 3 months not exceeding 1 year	465	565	465	565
Over 1 year not exceeding 5 years	2,394	490	2,394	490
Over 5 years	19	8	19	8
Total	7,527	12,489	8,017	12,794
Of which reverse transactions	2,249	4,992	2,249	4,992

Note 16 Loans and advances

On demand	19,859	20,027	19,059	19,481
3 months or less	13,930	14,866	13,930	14,866
Over 3 months not exceeding 1 year	25,406	27,382	25,406	27,382
Over 1 year not exceeding 5 years	14,923	17,281	14,923	17,281
Over 5 years	9,634	7,918	9,634	7,918
Total	83,752	87,474	82,952	86,928
Of which reverse transactions	10,724	12,930	10,724	12,930

Loans and advances and guarantees by sector and industry (%)

Agriculture, hunting, forestry and fisheries	6.9	7.0	6.9	7.0
Industry and extraction of raw materials	5.6	4.8	5.7	4.8
Energy supply	1.9	1.4	1.9	1.4
Building and construction	2.8	2.7	2.8	2.7
Trade	8.6	8.2	8.7	8.2
Transport, hotels and restaurants	2.2	2.1	2.2	2.5
Information and communication	0.7	0.5	0.7	0.5
Finance and insurance	17.3	18.7	17.5	18.7
Real property	10.1	9.9	10.5	10.1
Other corporate lending	9.2	9.7	9.2	9.8
Total corporate lending	65.3	65.0	66.1	65.7
Public sector	1.1	1.2	1.2	1.2
Retail clients	33.6	33.8	32.7	33.1
Total	100.0	100.0	100.0	100.0

Notes

Note 16 Loans and advances – continued

Sydbank Group

DKKm	2010				2009			
	Retail	SME	Corporate	Total	Retail	SME	Corporate	Total
Past due amounts not impaired *								
0-30 days	38	4	42	84	56	8	79	143
31-60 days	2	1	6	9	3	1	3	7
61-90 days	0	0	0	0	1	0	1	2
Total	40	5	48	93	60	9	83	152

Rating category

1	9	0	0	9	14	0	4	18
2	12	0	7	19	14	1	5	20
3	7	2	8	17	10	2	10	22
4	6	1	11	18	8	2	16	26
5	4	1	11	16	9	2	25	36
6	2	1	3	6	3	1	6	10
7	0	0	2	2	1	0	7	8
8	0	0	2	2	0	0	4	4
9	0	0	3	3	1	0	6	7
Not rated (NR)	0	-	1	1	0	1	0	1
Total	40	5	48	93	60	9	83	152

* Past due amounts concerning loans and advances etc which have not been subject to individual impairment. Loans and advances and amounts owed payable beyond 90 days are treated as impaired.

As shown above only a very limited share of past due amounts concerns high credit risk clients.

DKKm	2010			2009			
	Gross investments	Unearned interest	Net investments	Gross investments	Unearned interest	Net investments	
Lease payment receivables – finance leases							
1 year or less		1,182	90	1,092	1,258	107	1,151
Over 1 year not exceeding 5 years		2,283	171	2,112	2,760	213	2,547
Over 5 years		228	11	217	282	12	270
Total		3,693	272	3,421	4,300	332	3,968

Lease payment receivables comprise receivables on leasing of various operating equipment under non-cancellable leases. The leases are fixed-rate and floating-rate leases in foreign and Danish currencies.

Loans and advances at amortised cost include finance lease payment receivables of DKK 3,421m at year-end 2010 (2009: DKK 3,968m).

Impairment charges for uncollectible lease payment receivables total less than DKK 2m (2009: DKK 8m).

Note 17 Bonds at fair value	Sydbank Group		Sydbank A/S	
	2010	2009	2010	2009
DKKm				
Mortgage bonds	32,135	35,657	32,135	35,657
Government bonds	452	413	452	413
Other bonds	2,434	572	2,434	572
Total	35,021	36,642	35,021	36,642

Note 18 Shares etc

Listed on NASDAQ OMX Copenhagen A/S	409	198	409	198
Listed on other exchanges	358	332	358	332
Unlisted shares recognised at fair value	1,127	1,022	1,127	1,022
Total	1,894	1,552	1,894	1,552
Trading portfolio	943	655	943	655
Portfolio of equity investments	951	897	951	897
Total	1,894	1,552	1,894	1,552

Note 19 Holdings in associates etc

Carrying amount at 1 Jan	310	232	310	232
of which credit institutions	-	-	-	-
Total cost at 1 Jan	279	215	279	215
Exchange rate adjustment	0	0	0	0
Additions	4	71	4	71
Disposals	0	7	0	7
Total cost at 31 Dec	283	279	283	279
Revaluations and impairment charges at 1 Jan	31	17	31	17
Dividend	(9)	(12)	(9)	(12)
Revaluations and impairment charges for the year	2	23	2	23
Reversal of revaluations and impairment charges	0	3	0	3
Revaluations and impairment charges at 31 Dec	24	31	24	31
Carrying amount at 31 Dec	307	310	307	310
of which credit institutions	-	-	-	-

Notes

Note 19 Holdings in associates etc – continued

Sydbank Group

Activity	Owner-ship share (%)	Share-holders' equity (DKKm)	Total assets	Total equity and liabilities	Income	Result	
Holdings in associates							
Value-Call S.A., Luxembourg	Investment and finance	50	43	48	5	43	29
Foreningen Bankdata, Fredericia	IT	50	371	489	118	652	(6)
Core Property Management A/S, Copenhagen	Real property	20	28	35	7	22	7
Other enterprises in which the Group owns more than 10% of the share capital							
PRAS A/S, Copenhagen	Investment and finance	11	1,649	1,649	0	30	29
ValueInvest Asset Management S.A., Luxembourg	Investment and finance	14	37	58	21	37	14
Scandinavian Private Equity Partners A/S, Copenhagen	Investment and finance	17	9	10	1	2	0
BI Holding A/S, Copenhagen	Investment and finance	10	252	407	155	62	32
Berlin KGI A/S, Nyborg	Real property	13	183	186	3	0	4

Financial information according to the most recently published annual report of the companies.

Note 20 Holdings in subsidiaries

Sydbank Group

Sydbank A/S

DKKm	2010	2009	2010	2009
Carrying amount at 1 Jan	-	-	225	252
of which credit institutions	-	-	207	206
Cost at 1 Jan	-	-	622	648
Exchange rate adjustment	-	-	59	1
Additions	-	-	0	0
Disposals	-	-	0	27
Cost at 31 Dec	-	-	681	622
Revaluations and impairment charges at 1 Jan	-	-	(397)	(396)
Exchange rate adjustment	-	-	(19)	0
Profit/(Loss)	-	-	(7)	1
Dividend	-	-	-	-
Other capital movements	-	-	(1)	(2)
Revaluations and impairment charges for the year	-	-	-	-
Reversal of revaluations and impairment charges	-	-	-	-
Revaluations and impairment charges at 31 Dec	-	-	(424)	(397)
Carrying amount at 31 Dec	-	-	257	225
of which credit institutions	-	-	250	207

Note 21 Assets related to pooled plans DKKm	Sydbank Group		Sydbank A/S	
	2010	2009	2010	2009
Cash deposits	398	159	398	159
Indexed bonds	515	447	515	447
Other bonds	4,541	3,931	4,541	3,931
Shares etc	2,259	2,005	2,259	2,005
Units	216	209	216	209
Other assets	(6)	(16)	(6)	(16)
Total	7,923	6,735	7,923	6,735

Note 22 Intangible assets

Carrying amount at 1 Jan	14	15	14	15
Purchase price at 1 Jan	16	16	16	16
Additions	-	-	-	-
Total purchase price at 31 Dec	16	16	16	16
Depreciation and impairment charges at 1 Jan	2	1	2	1
Revaluations and impairment charges for the year	1	1	1	1
Depreciation and impairment charges at 31 Dec	3	2	3	2
Carrying amount at 31 Dec	13	14	13	14

Note 23 Investment property

Fair value at 1 Jan	2	8	2	8
Disposals	2	6	2	6
Fair value at 31 Dec	-	2	-	2
Rental income recognised in the income statement	0	1	0	1
Operating expenses	0	0	0	0

Note 24 Owner-occupied property

Carrying amount at 1 Jan	1,044	1,001	826	747
Exchange rate adjustment	0	0	0	0
Additions, including improvements	72	87	72	121
Disposals	3	17	3	17
Depreciation for the year	7	7	5	6
Value adjustment recognised directly in equity	(1)	23	0	25
Value adjustment recognised in the income statement	(60)	(43)	(50)	(44)
Carrying amount at 31 Dec	1,045	1,044	840	826

Notes

Note 25 Other property, plant and equipment	Sydbank Group		Sydbank A/S		
	DKKm	2010	2009	2010	2009
Carrying amount at 1 Jan		139	158	132	150
Total cost at 1 Jan		518	502	499	485
Exchange rate adjustment		3	0	0	0
Additions		52	67	51	65
Disposals		48	51	48	51
Total cost at 31 Dec		525	518	502	499
Depreciation and impairment charges at 1 Jan		379	344	367	335
Exchange rate adjustment		2	0	0	0
Depreciation for the year		84	84	81	81
Reversal of depreciation and impairment charges		45	49	45	49
Depreciation and impairment charges at 31 Dec		420	379	403	367
Carrying amount at 31 Dec		105	139	99	132

Note 26 Other assets

Positive market value of derivatives etc	9,363	8,330	9,363	8,330
Sundry debtors	263	336	260	332
Interest and commission receivable	563	649	563	650
Collateral provided, CSA agreements	2,066	1,148	2,066	1,148
Other assets	1	1	1	1
Total	12,256	10,464	12,253	10,461

Note 27 Amounts owed to credit institutions and central banks

Amounts owed to central banks	2,700	12,522	2,700	12,522
Amounts owed to credit institutions	37,550	32,792	37,627	32,846
Total	40,250	45,314	40,327	45,368
On demand	7,089	7,137	7,166	7,137
3 months or less	31,521	36,318	31,521	36,372
Over 3 months not exceeding 1 year	871	869	871	869
Over 1 year not exceeding 5 years	485	803	485	803
Over 5 years	284	187	284	187
Total	40,250	45,314	40,327	45,368
Of which repo transactions	18,686	13,956	18,686	13,956

Note 28 Deposits and other debt	Sydbank Group		Sydbank A/S	
	2010	2009	2010	2009
DKKm				
On demand	38,357	40,645	38,012	40,344
At notice	603	697	603	697
Time deposits	19,923	21,526	19,922	21,526
Special categories of deposits	5,278	5,912	5,278	5,912
Total	64,161	68,780	63,815	68,479
On demand	39,085	44,925	38,739	44,624
3 months or less	18,514	18,155	18,514	18,155
Over 3 months not exceeding 1 year	2,149	690	2,149	690
Over 1 year not exceeding 5 years	631	697	631	697
Over 5 years	3,782	4,313	3,782	4,313
Total	64,161	68,780	63,815	68,479

Note 29 Bonds issued at amortised cost

Over 3 months not exceeding 1 year	3,726	4,835	3,726	4,835
Over 1 year not exceeding 5 years	7,516	3,764	7,516	3,764
Over 5 years	-	23	-	23
Total	11,242	8,622	11,242	8,622

Note 30 Other liabilities

Negative market value of derivatives etc	9,138	7,488	9,138	7,488
Sundry creditors	1,886	1,158	1,879	1,152
Negative portfolio, reverse transactions	3,437	6,728	3,437	6,728
Interest and commission etc	97	146	97	145
Collateral received, CSA agreements	520	92	520	92
Other liabilities	6	4	0	0
Total	15,084	15,616	15,071	15,605

Notes

Note 31 Provisions	Sydbank Group		Sydbank A/S	
	2010	2009	2010	2009
DKK m				
Provisions for pensions and similar obligations	4	3	4	3
Provisions for deferred tax	225	208	225	208
Provisions for guarantees *	32	240	32	240
Other provisions	20	26	17	23
Total provisions	281	477	278	474
* Of which the Private Contingency Association	-	220	-	220

DKK m	Sydbank Group				
	Provisions for pensions and similar obligations	Provisions for deferred tax	Provisions for guarantees	Other provisions	Total provisions
Carrying amount at 1 Jan	3	208	240	26	477
Additions	1	17	183	-	201
Disposals	0	0	391	6	397
Carrying amount at 31 Dec	4	225	32	20	281

Other provisions mainly concern provisions for onerous contracts and legal actions.

Note 32 Subordinated capital					Sydbank Group		Sydbank A/S	
				DKK m		DKK m		
Interest rate		Nominal (m)	Maturity	2010	2009	2010	2009	
Repaid loans				-	800	-	800	
2.60 (floating)	Bond loan	DKK 200	14.11.14	200	200	200	200	
1.24 (floating)	Bond loan	EUR 100	04.04.15	745	743	745	743	
Total supplementary capital				945	1,743	945	1,743	
2.13 (floating)	Bond loan	EUR 100	Perpetual	740	738	740	738	
3.24 (floating)	Bond loan	EUR 75	Perpetual	559	558	559	558	
6.36 (fixed)	Bond loan	DKK 85	Perpetual	85	85	85	85	
Total hybrid core capital				1,384	1,381	1,384	1,381	
Total subordinated capital				2,329	3,124	2,329	3,124	
Costs relating to the raising and repayment of subordinated capital				0	0	0	0	
Over 1 year not exceeding 5 years				945	944	945	944	
Over 5 years				1,384	2,180	1,384	2,180	
Total				2,329	3,124	2,329	3,124	

Note 33 Own holdings	Sydbank Group		Sydbank A/S	
	2010	2009	2010	2009
DKKm				
Nominal portfolio of own holdings	7	8	7	8
Nominal portfolio of own holdings as % of share capital	0.9	1.0	0.9	1.0
Shares outstanding (number)	73,588,089	73,471,636	73,588,089	73,471,636
Holding of own shares (number)	661,910	778,363	661,910	778,363
Total share capital (number)	74,249,999	74,249,999	74,249,999	74,249,999
Own holdings purchased during the year				
Number of shares	18,295,691	22,723,862	18,295,691	22,723,862
Nominal value	183	227	183	227
Consideration paid	2,464	2,679	2,464	2,679
Number of shares as % of share capital	24.6	30.6	24.6	30.6

Own holdings sold during the year				
Number of shares	18,412,144	26,433,500	18,412,144	26,433,500
Nominal value	184	264	184	264
Consideration received	2,490	3,112	2,490	3,112
Number of shares as % of share capital	24.8	35.6	24.8	35.6

Own holdings have been purchased and sold as part of the ordinary banking transactions/employee share scheme of Sydbank A/S.

Note 34 Contingent liabilities and other obligating agreements

Contingent liabilities				
Financial guarantees	3,037	2,702	2,932	2,589
Mortgage finance guarantees	1,628	2,343	1,628	2,343
Registration and remortgaging guarantees	3,643	5,057	3,643	5,057
Loss guarantee/guarantee, the Private Contingency Association	-	531	-	531
Other contingent liabilities	1,443	1,420	1,443	1,420
Total	9,751	12,053	9,646	11,940

Other obligating agreements				
Irrevocable credit commitments	99	14	99	14
Other liabilities *	51	61	104	114
Total	150	75	203	128

* Including intra-group liabilities in relation to rented premises

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

Notes

Note 34 Contingent liabilities and other obligating agreements – continued

Moreover, in 2009 the group of minority shareholders – by three named shareholders – filed an action against Sydbank regarding an inadequate prospectus in connection with the conversion of sparTrelleborg to bankTrelleborg. Exchange of pleadings is still ongoing and oral proceedings have therefore not yet been scheduled.

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

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

Note 35 Fair value hedging of interest rate risks (macro hedge)

Sydbank adopts a cash flow model for managing interest rate risk on all positions other than Danish callable mortgage bonds. The model is updated daily with all the Bank's positions. These are distributed into portfolios according to responsibility and product.

One of these portfolios consists of the Bank's positions in fixed-rate loans and advances, including leasing, fixed-rate deposits, and related hedging transactions. To ensure interest rate risk management of this portfolio, the model generates a synthetic cash flow to describe the Bank's risk position in selected interest rate points.

The Bank's basis for concluding hedging transactions – primarily interest rate swaps – is thus a synthetic net cash flow, based on the actual cash flow of loans and advances, deposits and previously concluded hedging transactions in the relevant portfolio. The aim is to keep the interest rate risk in this portfolio at a minimum as the Bank wishes to place its interest rate risk in other portfolios containing bonds and other cash equivalent positions.

The Group applies the rules on macro hedge, which aim to ensure symmetry between income and expense in the statements.

Symmetry is achieved by making a hedge adjustment corresponding to the part of the market value adjustment of derivatives which concerns future periods. This hedge adjustment is recorded under "Other assets" and represents DKK 32m as at 31 December 2010.

During the year a net loss on hedging transactions of DKK 2m has been recorded. The loss eliminates the equivalent net gain on the hedged items.

DKKm	Sydbank Group		Sydbank A/S	
	2010	2009	2010	2009
Fixed-rate loans and advances				
Carrying amount	1,491	1,583	1,491	1,583
Fixed-rate deposits				
Carrying amount	3,607	2,616	3,607	2,616
The following derivatives are used to hedge the above:				
Forward Rate Agreements				
Principal	-	15	-	15
Fair value	-	1	-	1
Swaps				
Principal	1,092	853	1,092	853
Fair value	(44)	(42)	(44)	(42)

Note 36 Collateral

At the end of 2010, the Group had deposited as collateral securities at a market value of DKK 3,339m with Danish and foreign exchanges and clearing centres etc in connection with margin calls and securities settlements etc.

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

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

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

DKKm	Sydbank Group		Sydbank A/S	
	2010	2009	2010	2009
Assets sold as part of repo transactions				
Bonds at fair value	18,609	13,793	18,609	13,793
Assets purchased as part of reverse transactions				
Bonds at fair value	12,857	17,656	12,857	17,656

Note 37 Related parties

DKKm	2010			2009		
	Associates	Board of Directors	Group Executive Management	Associates	Board of Directors	Group Executive Management
Loans and advances and loan commitments	1	5	1	1	66	1
Deposits and other debt	61	20	7	140	91	7
Guarantees issued	-	-	-	-	3	0
Collateral received	-	1	-	-	14	-
Interest income	0	0	0	0	2	0
Interest expense	0	0	0	1	2	0
Fee and commission income	0	0	0	0	0	0
Other expenses	374	-	-	352	-	-

Interest rates 2010, loans and advances

Group Executive Management: 3.90-4.00% p.a. Board of Directors: 1.50-6.75% p.a.*

* Interest rates concern loans in different currencies.

There are no parties with significant influence in Sydbank A/S (ownership share of at least 20%). Note 19 specifies associates. The Board of Directors and the Group Executive Management columns comprise the Group's exposures to and transactions with members of the Board of Directors and the Group Executive Management and their dependants. Note 11 specifies the remuneration of management. Other expenses include primarily IT costs to Bankdata. Transactions with related parties are settled on an arm's length basis and are subject to the terms and conditions in force. No unusual transactions took place with related parties in 2010.

Notes

Note 37 Related parties – continued	Sydbank Group		Sydbank A/S		
	DKKm	2010	2009	2010	2009
Amounts owed by and to subsidiaries etc					
Amounts owed by credit institutions and central banks	-	-	544	340	
Loans and advances at amortised cost	-	-	197	199	
Total asset items	-	-	741	539	
Amounts owed to credit institutions	-	-	77	54	
Deposits and other debt	-	-	-	-	
Total liability items	-	-	77	54	

Number	Sydbank Group			
	1 Jan 2010	Additions	Disposals	31 Dec 2010
Sydbank A/S shares held by *				
Board of Directors				
Kresten Philippsen	18,503		12	18,491
Anders Thoustrup	1,922	194		2,116
Svend Erik Busk	583	617		1,200
Peder Damgaard	546	5		551
Harry Max Friedrichsen	867	32		899
Hanni Toosbuy Kasprzak	192,660			192,660
Sven Rosenmeyer Paulsen	4,100			4,100
Steen Tophøj	1,419			1,419
Jan Uldahl-Jensen	911	64		975
Margrethe Weber	1,572	267		1,839
Total	223,083	1,179	12	224,250
Group Executive Management				
Karen Frøsig	3,127	251		3,378
Preben L. Hansen	2,843		140	2,703
Allan Nørholm	719	154		873
Total	6,689	405	140	6,954
Total	229,772	1,584	152	231,204

* Own holdings and holdings by dependants

Note 38 Fair value disclosure
Sydbank Group

Financial instruments are included in the balance sheet either at fair value or at amortised cost. The table below breaks down the financial instruments by valuation method.

DKKm	2010		2009	
	Fair value	Amortised cost	Fair value	Amortised cost
Financial assets				
Cash and balances on demand at central banks	-	855	-	862
Amounts owed by credit institutions and central banks	4,545	2,982	4,992	7,498
Loans and advances at fair value	10,724	-	12,930	-
Loans and advances at amortised cost	-	73,028	-	74,544
Bonds at fair value	35,021	-	36,642	-
Shares etc	1,894	-	1,552	-
Assets related to pooled plans	7,923	-	6,735	-
Other assets	9,644	2,348	8,741	1,387
Total	69,751	79,213	71,592	84,291
Undrawn credit facilities	-	30,651	-	30,741
Maximum credit risk, collateral not considered	69,751	109,864	71,592	115,032
Financial liabilities				
Amounts owed to credit institutions and central banks	18,686	21,564	13,956	31,358
Deposits and other debt	-	64,161	-	68,780
Deposits in pooled plans	7,923	-	6,735	-
Bonds issued at amortised cost	-	11,242	-	8,622
Other liabilities	12,576	617	14,217	238
Subordinated capital	-	2,329	-	3,124
Total	39,185	99,913	34,908	112,122

Financial instruments recognised at fair value

Measurement of financial instruments is based on quoted prices from an active market, on generally accepted valuation models with observable market data or on available data that only to a limited extent are observable market data.

Measurement of financial instruments for which prices are quoted in an active market or which are based on generally accepted valuation models with observable market data is not subject to significant estimates.

Notes

Note 38 Fair value disclosure – continued

Sydbank Group

As regards financial instruments where measurement is based on available data that only to a limited extent are observable market data, measurement is subject to estimates. Such financial instruments appear from the column non-observable input below and include unlisted shares and certain bonds, including CDOs, for which there is no longer an active market.

DKKm	Quoted prices	Observable input	Non-observable input	Total fair value
2010				
Financial assets				
Amounts owed by credit institutions and central banks	-	4,545	-	4,545
Loans and advances at fair value	-	10,724	-	10,724
Bonds at fair value	-	34,882	139	35,021
Shares etc	767	139	988	1,894
Assets related to pooled plans	2,475	5,448	-	7,923
Other assets	20	9,624	-	9,644
Total	3,262	65,362	1,127	69,751
Financial liabilities				
Amounts owed to credit institutions and central banks	-	18,686	-	18,686
Deposits in pooled plans	-	7,923	-	7,923
Other liabilities	46	12,530	-	12,576
Total	46	39,139	-	39,185

DKKm	Quoted prices	Observable input	Non-observable input	Total fair value
2009				
Financial assets				
Amounts owed by credit institutions and central banks	-	4,992	-	4,992
Loans and advances at fair value	-	12,930	-	12,930
Bonds at fair value	-	36,571	71	36,642
Shares etc	530	85	937	1,552
Assets related to pooled plans	2,214	4,521	-	6,735
Other assets	44	8,697	-	8,741
Total	2,788	67,796	1,008	71,592
Financial liabilities				
Amounts owed to credit institutions and central banks	-	13,956	-	13,956
Deposits in pooled plans	-	6,735	-	6,735
Other liabilities	25	14,192	-	14,217
Total	25	34,883	-	34,908

Note 38 Fair value disclosure – continued

Sydbank Group

DKKm	2010	2009
Assets measured on the basis of non-observable input		
Carrying amount at 1 Jan	1,006	795
Additions	28	106
Disposals	9	22
Market value adjustment for the year	102	127
Value at 31 Dec	1,127	1,006
Recognised in profit for the year		
Interest income	27	20
Dividend	18	24
Market value adjustment	102	127
Total	147	171

Financial instruments recognised at amortised cost

The vast majority of the Group's amounts owed, loans and advances and deposits cannot be transferred without the prior consent of the clients and no active market exists for trading in such financial instruments. Consequently fair value disclosures are solely based on circumstances where market conditions have changed after the initial recognition of the instrument, including in particular changes in interest rates. Fair value disclosures on financial instruments recognised at amortised cost are based on the assumptions below:

- As regards financial instruments for which a quoted price exists in the market, such a price is applied. This applies to bonds issued and subordinated capital. In the absence of a quoted price, the value is determined on the basis of estimates of the current return requirements of the market.
- As regards loans and advances, impairment charges are presumed to equal the fair value of the credit risk.
- As regards financial instruments with an interest rate risk of less than six months, amortised cost is presumed to equal fair value.
- As a rule the interest rate risk of fixed-rate deposits and loans and advances exceeding six months is hedged by using derivatives. The hedge is treated as a fair value hedge for accounting purposes. As a result of the application of these rules this portfolio has been recognised at fair value in the balance sheet. The portfolio comprises loans and advances, deposits, forward rate agreements and swaps, see note 35.

Based on the above the overall assessment is that the fair value of loans and advances and deposits corresponds to the carrying amount at 31 December 2010 in all material respects.

Sydbank Group

DKKm	2010		2009	
	Carrying amount	Fair value	Carrying amount	Fair value
Bonds issued at amortised cost	11,242	11,227	8,622	8,545
Subordinated capital	2,329	1,590	3,124	2,305

Notes

Note 39 Financial highlights	Sydbank Group				
	2010	2009	2008	2007	2006
Income statement highlights (DKK m)					
Net interest and fee income	4,386	4,399	3,880	3,433	3,090
Market value adjustments	420	667	115	400	802
Staff costs and administrative expenses	2,352	2,341	2,449	2,067	1,926
Impairment of loans and advances etc	1,556	1,368	622	(568)	(171)
Profit/(Loss) on holdings in associates etc	2	23	17	11	3
Profit for the year	411	781	606	1,710	1,514
Balance sheet highlights (DKK bn)					
Loans and advances	83.7	87.5	95.8	83.0	73.2
Shareholders' equity	9.5	9.1	7.1	6.7	6.3
Total assets	150.8	157.8	156.0	132.3	114.8
Financial ratios per share (DKK per share of DKK 10)					
EPS Basic	5.6	11.0	9.0	25.6	22.1
Book value	129.8	124.1	105.0	104.6	92.1
Dividend	1.0	-	-	3.0	3.0
Share price/EPS	27.1	12.1	7.1	8.6	12.3
Share price/book value	1.17	1.08	0.61	2.10	2.93
Other financial ratios and key figures					
Solvency ratio	15.4	15.2	14.7	11.9	11.8
Core capital ratio	14.3	13.1	10.8	8.9	9.0
Pre-tax profit as % of average shareholders' equity	6.0	12.3	11.8	34.6	36.2
Post-tax profit as % of average shareholders' equity	4.4	9.6	8.8	26.2	26.7
Income/cost ratio (DKK)	1.13	1.24	1.24	2.37	2.10
Interest rate risk	1.5	1.0	1.4	2.6	2.0
Foreign exchange position	1.2	1.1	11.4	1.7	10.3
Foreign exchange risk	0.0	0.0	0.0	0.0	0.1
Loans and advances relative to deposits	1.2	1.2	1.2	1.2	1.3
Loans and advances relative to shareholders' equity	8.8	9.6	13.5	12.4	11.5
Growth in loans and advances for the year	(4.3)	(8.7)	15.4	13.5	20.5
Excess cover relative to statutory liquidity requirements	106.3	94.4	89.4	103.1	74.0
Total large exposures	54.4	17.2	23.8	46.4	34.7
Impairment ratio for the year	1.7	1.4	0.6	(0.6)	(0.2)

Financial highlights and financial ratios are determined by the Danish FSA's executive order on financial reporting of credit institutions etc.

Note 39 Financial highlights – continued
Sydbank A/S

	2010	2009	2008	2007	2006
Income statement highlights (DKKm)					
Net interest and fee income	4,337	4,363	3,856	3,374	3,039
Market value adjustments	410	663	109	393	795
Staff costs and administrative expenses	2,301	2,302	2,402	2,023	1,889
Impairment of loans and advances etc	1,556	1,369	619	(611)	(171)
Profit/(Loss) on holdings in associates etc	(6)	25	(42)	21	1
Profit for the year	411	781	606	1,710	1,514
Balance sheet highlights (DKKbn)					
Loans and advances	83.0	86.9	95.6	82.4	72.4
Shareholders' equity	9.6	9.1	7.1	6.7	6.3
Total assets	150.6	157.6	155.8	132.1	114.6
Financial ratios per share (DKK per share of DKK 10)					
EPS Basic	5.6	11.0	9.0	25.6	22.1
Book value	129.8	124.1	105.0	104.6	92.1
Dividend	1.0	-	-	3.0	3.0
Share price/EPS	27.1	12.1	7.1	8.6	12.3
Share price/book value	1.17	1.08	0.61	2.10	2.93
Other financial ratios and key figures					
Solvency ratio	15.6	15.3	14.8	12.1	11.4
Core capital ratio	14.5	13.2	10.9	9.0	8.7
Pre-tax profit as % of average shareholders' equity	6.0	12.3	11.6	34.8	36.2
Post-tax profit as % of average shareholders' equity	4.4	9.6	8.8	26.2	26.7
Income/cost ratio (DKK)	1.13	1.25	1.24	2.46	2.14
Interest rate risk	1.5	1.0	1.4	2.6	2.0
Foreign exchange position	1.2	1.1	11.4	1.6	10.2
Foreign exchange risk	0.0	0.0	0.0	0.0	0.1
Loans and advances relative to deposits	1.2	1.2	1.2	1.1	1.3
Loans and advances relative to shareholders' equity	8.7	9.5	13.5	12.3	11.4
Growth in loans and advances for the year	(4.6)	(9.1)	16.0	14.1	19.5
Excess cover relative to statutory liquidity requirements	110.0	96.7	89.8	103.1	74.0
Total large exposures	54.4	17.2	23.7	46.3	34.7
Impairment ratio for the year	1.7	1.4	0.6	(0.7)	(0.2)

Financial highlights and financial ratios are determined by the Danish FSA's executive order on financial reporting of credit institutions etc.

Notes

Note 40 Reporting events occurring after the balance sheet date

The collapse of Amagerbanken on 6 February 2011 is projected to result in an expense for the Group in Q1 2011 in connection with the payment by the Deposit Guarantee Fund of secured net deposits in Amagerbanken. The expense will be determined at a later date.

Except for the above no matters of significant impact on the financial position of the Sydbank Group have occurred after the expiry of the financial year.

Note 41 Group holdings and enterprises

31 December 2010	Activity	Sydbank Group				
		Share capital (m)	Shareholders' equity (DKKm)	Result (DKKm)	Ownership share (%)	
Sydbank A/S		DKK	742			
Consolidated subsidiaries						
Sydbank (Schweiz) AG, St. Gallen, Switzerland		Banking	CHF 40	250	3	100
Ejendomsselskabet af 1. juni 1986 A/S, Aabenraa		Real property	DKK 8	7	(10)	100

Note 42 Large shareholders

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

ATP, Copenhagen *

Nykredit A/S, Copenhagen

* On 28 January 2011 ATP reduced its portfolio and now owns 4.9% of the share capital.

Notes – Financial Ratio Definitions

Financial ratios	Definition
EPS Basic (DKK)	Profit for the year divided by average number of shares outstanding
EPS Diluted (DKK)	Profit for the year divided by average number of shares outstanding, including dilutive effect of share options and conditional shares
Share price at year-end	Closing price of the Sydbank share at year-end
Book value per share (DKK)	Shareholders' equity at year-end divided by number of shares outstanding at year-end
Solvency ratio	Capital base after deductions divided by risk-weighted assets
Core capital ratio	Core capital including hybrid core capital after deductions divided by risk-weighted assets
Pre-tax profit as % of average shareholders' equity	Pre-tax profit divided by average shareholders' equity during the year
Post-tax profit as % of average shareholders' equity	Post-tax profit divided by average shareholders' equity during the year
Loans and advances relative to deposits	Loans and advances at amortised cost divided by deposits (deposits and other debt and deposits in pooled plans)
Loans and advances relative to shareholders' equity	Loans and advances at amortised cost divided by shareholders' equity
Growth in loans and advances for the year	Calculated on the basis of loans and advances at amortised cost
Number of full-time staff at year-end	Number of full-time equivalent staff (part-time staff translated into full-time staff) at year-end

The financial ratios are prepared according to "Recommendations & Financial Ratios 2010" published by the Danish Society of Financial Analysts.

Notes – Derivatives

DKKm	Over 3 months 3 months or less	Over 3 months not exceeding 1 year	Over 1 year not exceeding 5 years	Over 5 years	2010 Total	2009 Total
Nominal values						
Foreign exchange contracts:						
Spot, bought	5,476	-	-	-	5,476	9,836
Spot, sold	4,667	-	-	-	4,667	6,617
Forwards/futures, bought	44,347	4,500	1,376	0	50,223	66,533
Forwards/futures, sold	37,930	6,243	1,442	0	45,615	49,981
Swaps	555	6,091	9,148	329	16,123	20,180
Options, acquired	4,133	1,577	40	0	5,750	6,262
Options, written	4,566	1,968	807	0	7,341	5,261
Interest rate contracts:						
Spot, bought	5,022	-	-	-	5,022	6,364
Spot, sold	3,216	-	-	-	3,216	1,639
Forwards/futures, bought	1,888	2,184	1,491	0	5,563	50,611
Forwards/futures, sold	8,377	6,284	2,236	0	16,897	79,066
Forward Rate Agreements, bought	11,169	18,721	3,500	0	33,390	27,064
Forward Rate Agreements, sold	18,709	17,528	3,000	0	39,237	30,560
Swaps	59,584	40,456	64,182	115,950	280,172	262,943
Options, acquired	8,766	4,239	5,717	4,390	23,112	9,902
Options, written	9,263	5,016	5,656	4,079	24,014	15,764
Equity contracts:						
Spot, bought	173	-	-	-	173	173
Spot, sold	210	-	-	-	210	188
Forwards/futures, bought	10	0	0	0	10	1
Forwards/futures, sold	22	0	0	0	22	2
Options, acquired	0	0	0	0	0	0
Options, written	0	0	0	0	0	0
Other derivative contracts:						
Futures commodities, bought	18	47	0	0	65	40
Futures commodities, sold	18	47	0	0	65	34
Options, acquired	0	0	0	0	0	29
Options, written	0	0	0	0	0	33
Credit Default Swaps	8	950	3,366	0	4,324	1,258

DKKm	Over 3 months 3 months or less	Over 3 months not exceeding 1 year	Over 1 year not exceeding 5 years	Over 5 years	2010 Total	2009 Total
Net market values						
Foreign exchange contracts:						
Spot, bought	(17)	-	-	-	(17)	14
Spot, sold	(13)	-	-	-	(13)	4
Forwards/futures, bought	(180)	44	(151)	0	(287)	486
Forwards/futures, sold	353	(127)	168	0	394	(66)
Swaps	84	222	185	66	557	751
Options, acquired	16	15	13	0	44	120
Options, written	(13)	(8)	(11)	0	(32)	(123)
Interest rate contracts:						
Spot, bought	3	-	-	-	3	(4)
Spot, sold	(5)	-	-	-	(5)	2
Forwards/futures, bought	(3)	(3)	0	0	(6)	(28)
Forwards/futures, sold	(4)	3	0	0	(1)	30
Forward Rate Agreements, bought	(25)	(19)	1	0	(43)	(53)
Forward Rate Agreements, sold	29	22	(2)	0	49	50
Swaps	(54)	10	(108)	(306)	(458)	(327)
Options, acquired	8	5	192	169	374	294
Options, written	18	(2)	(217)	(161)	(362)	(304)
Equity contracts:						
Spot, bought	0	-	-	-	0	2
Spot, sold	0	-	-	-	0	(2)
Forwards/futures, bought	(4)	0	0	0	(4)	(3)
Forwards/futures, sold	30	0	0	0	30	(2)
Options, acquired	1	0	0	0	1	1
Options, written	(1)	0	0	0	(1)	(1)
Other derivative contracts:						
Futures commodities, bought	0	0	0	0	0	(1)
Futures commodities, sold	0	0	0	0	0	1
Options, acquired	0	0	0	0	0	0
Options, written	0	0	0	0	0	0
Credit Default Swaps	0	0	2	0	2	1
Total net market values					225	842

Notes – Derivatives

DKKm	Total contracts 2010*			Total contracts 2009*		
	Positive	Negative	Net	Positive	Negative	Net
Market values						
Foreign exchange contracts:						
Spot, bought	4	(21)	(17)	24	(10)	14
Spot, sold	3	(16)	(13)	11	(7)	4
Forwards/futures, bought	676	(963)	(287)	998	(512)	486
Forwards/futures, sold	741	(347)	394	426	(492)	(66)
Swaps	924	(367)	557	984	(233)	751
Options, acquired	44	0	44	120	0	120
Options, written	0	(32)	(32)	0	(123)	(123)
Interest rate contracts:						
Spot, bought	7	(4)	3	2	(6)	(4)
Spot, sold	1	(6)	(5)	3	(1)	2
Forwards/futures, bought	3	(9)	(6)	2	(30)	(28)
Forwards/futures, sold	8	(9)	(1)	32	(2)	30
Forward Rate Agreements, bought	2	(45)	(43)	0	(53)	(53)
Forward Rate Agreements, sold	52	(3)	49	50	0	50
Swaps	6,380	(6,838)	(458)	5,341	(5,668)	(327)
Options, acquired	374	0	374	294	0	294
Options, written	23	(385)	(362)	2	(306)	(304)
Equity contracts:						
Spot, bought	2	(2)	0	4	(2)	2
Spot, sold	2	(2)	0	3	(5)	(2)
Forwards/futures, bought	1	(5)	(4)	(3)	0	(3)
Forwards/futures, sold	43	(13)	30	6	(8)	(2)
Options, acquired	1	0	1	1	0	1
Options, written	0	(1)	(1)	0	(1)	(1)
Other derivative contracts:						
Futures commodities, bought	0	0	0	0	(1)	(1)
Futures commodities, sold	0	0	0	1	0	1
Options, acquired	0	0	0	0	0	0
Options, written	0	0	0	0	0	0
Credit Default Swaps	72	(70)	2	29	(28)	1
Total market values	9,363	(9,138)	225	8,330	(7,488)	842

* All contracts are non-guaranteed.

DKKm	Market values		Collateral		Exposure by counterparty	
	Positive	Negative	Provided	Received	Amount due	Amount owed
2010						
Net exposure						
Counterparties with CSA agreements	6,292	(7,848)	2,066	520	306	316
Counterparties without CSA agreements	3,071	(1,290)	-	-	2,193	412
Total	9,363	(9,138)	2,066	520	2,499	728

DKKm	Total contracts 2010			Total contracts 2009		
	Positive	Negative	Net	Positive	Negative	Net
Average market values						
Foreign exchange contracts:						
Spot, bought	25	(39)	(14)	42	(80)	(38)
Spot, sold	30	(40)	(10)	67	(61)	6
Forwards/futures, bought	955	(793)	162	1,268	(620)	648
Forwards/futures, sold	679	(412)	267	556	(408)	148
Swaps	1,054	(380)	674	979	(342)	637
Options, acquired	57	0	57	169	1	170
Options, written	0	(50)	(50)	0	(169)	(169)
Interest rate contracts:						
Spot, bought	20	(31)	(11)	12	(32)	(20)
Spot, sold	15	(4)	11	42	(21)	21
Forwards/futures, bought	9	(17)	(8)	7	(17)	(10)
Forwards/futures, sold	17	(13)	4	23	(7)	16
Forward Rate Agreements, bought	1	(67)	(66)	0	(148)	(148)
Forward Rate Agreements, sold	70	(1)	69	137	(1)	136
Swaps	7,951	(8,376)	(425)	5,492	(5,674)	(182)
Options, acquired	364	0	364	274	0	274
Options, written	8	(355)	(347)	0	(277)	(277)
Equity contracts:						
Spot, bought	13	(28)	(15)	20	(10)	10
Spot, sold	134	(13)	21	10	(18)	(8)
Forwards/futures, bought	1	(73)	(72)	95	(1)	94
Forwards/futures, sold	113	(16)	97	18	(93)	(75)
Options, acquired	2	0	2	5	0	5
Options, written	0	(2)	(2)	0	(5)	(5)
Other derivative contracts:						
Futures commodities, bought	0	0	0	0	(1)	(1)
Futures commodities, sold	0	0	0	0	0	0
Options, acquired	0	0	0	1	0	1
Options, written	0	(1)	(1)	0	(1)	(1)
Credit Default Swaps	104	(102)	2	137	(135)	2
Total average market values	11,522	(10,813)	709	9,354	(8,120)	1,234

Average market value calculations are based on monthly statements.

Notes – Risk Management

Credit risk

Credit risk is the risk of loss as a result of a debtor's default on his payment obligations to the Group.

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

The Group applies the options available to mitigate the risk on individual transactions in the form of charges on assets, netting agreements and guarantees etc. The most frequent types of charges include mortgages on real property and charges on financial assets (shares, bonds and units).

The Group assesses on an ongoing basis the value of collateral provided. The value is determined as the expected net proceeds on realisation. As regards the most frequent types of collateral, the Group has established models that estimate the value of the assets in question.

Monitoring, follow-up and reporting to management are undertaken centrally.

Credit risk to financial counterparties

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

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

Management grants delivery risk lines and credit risk lines to financial counterparties based on the risk profile, rating, size and financial standing of the counterparty. Risks and lines to financial counterparties are monitored continuously, also intraday.

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

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

The agreements are managed by Operations.

The gross exposure to financial counterparties constitutes DKK 32,835m (2009: DKK 38,661m) and the net exposure to financial counterparties represents DKK 8,940m (2009: 16,095m).

Financial counterparties by counterparty type

DKKm	Gross exposure*		Net exposure*	
	2010	2009	2010	2009
Governments etc	3,347	6,837	1,697	4,672
Institutions, repo/reverse	20,672	17,806	952	691
Institutions, other	8,816	14,018	6,291	10,732
Total	32,835	38,661	8,940	16,095

* Gross exposure and net exposure are defined in "Credit Risk 2010" which is available at sydbank.com. Gross exposure determination takes undrawn credit commitments into account. Net exposure determination takes undrawn credit commitments, collateral and conversion factors into account.

Credit risk to non-financial counterparties

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

The models are used in connection with credit approval, pricing, profitability calculations and calculation of collective impairment charges as well as in connection with assessment of concentration risks.

Clients are rated in four partially independent models: investment clients, corporate clients, SMEs and retail clients. All models are based on statistical processing of client data for the purpose of classifying clients according to their probability of default (PD) within the next 12 months. The corporate rating model also contains a qualitative element in the form of an industry profile and a strength profile which in aggregate can affect the clients' classification. Clients are classified in three groups: corporate, SME and retail.

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

The Group applies the models to determine the regulatory solvency requirement. As regards retail clients the Group applies the advanced IRB approach, ie the Group estimates probability of default (PD), loss given default (LGD) and the utilisation of credit facilities (CF). As regards corporate clients the Group applies the foundation IRB approach, ie the Group only estimates PD and not LGD or CF.

Exposures outside rating models

A small part of the exposures to non-financial counterparties is not yet comprised by the rating models.

These exposures consist mainly of exposures via foreign entities. The Group has formulated action plans as to how and when they will form part of the Group's rating models, and in the longer term all significant exposures will be included.

Retail clients

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

The gross exposure to retail clients constitutes DKK 35,298m (2009: DKK 35,778m) and the net exposure to retail clients represents DKK 24,264m (2009: DKK 26,087m).

Retail clients by rating category and approach

DKKm	Gross exposure		Net exposure	
	2010	2009	2010	2009
Rating category 1	11,480	10,118	6,842	6,861
Rating category 2	10,216	10,526	7,163	7,669
Rating category 3	6,410	6,508	4,813	4,988
Rating category 4	3,219	3,497	2,479	2,741
Rating category 5	1,902	2,541	1,456	1,967
Rating category 6	497	722	368	542
Rating category 7	80	267	63	158
Rating category 8	47	105	38	84
Rating category 9	411	255	335	204
Default	222	248	165	195
Total IRB	34,484	34,787	23,722	25,409
Standardised Approach	814	991	542	678
Total	35,298	35,778	24,264	26,087

Notes – Risk Management

Corporate clients

The corporate client model is based on the client's accounting data supplemented by appraisals made by the credit officer and/or account manager on the corporate client's current circumstances.

The gross exposure to corporate clients constitutes DKK 89,430m (2009: DKK 95,619m) and the net exposure to corporate clients represents DKK 52,964m (2009: DKK 54,881m).

Corporate clients by rating category and approach

DKKm	Gross exposure		Net exposure	
	2010	2009	2010	2009
Rating category 1	5,034	5,567	2,064	2,336
Rating category 2	22,243	19,752	6,989	5,305
Rating category 3	18,280	15,199	10,826	9,265
Rating category 4	12,857	17,558	8,368	11,189
Rating category 5	11,056	15,125	8,343	9,589
Rating category 6	4,199	5,317	3,281	4,189
Rating category 7	2,636	4,041	2,230	3,210
Rating category 8	1,882	1,665	1,723	1,411
Rating category 9	3,999	2,965	3,491	2,547
Default	1,999	1,905	1,888	1,819
Total IRB	84,185	89,094	49,203	50,860
Standardised Approach	5,245	6,525	3,761	4,021
Total	89,430	95,619	52,964	54,881

Further information on credit risk

Reference is made to notes 12 and 16 as well as "Credit Risk 2010" (unaudited) for further information on the Group's credit risk which is available at sydbank.com.

Market risk

Market risk is the risk that the market value of the Group's assets and liabilities will be affected as a result of changes in market conditions.

Assuming market risk is considered a natural and integral part of all-round banking. Assuming risk must be on a conscious well-documented basis. To the extent possible, risk must be taken in products which offer a possibility of eliminating or mitigating risk at short notice.

Interest rate and foreign exchange risks deriving from deposits by and loans and advances to the Bank's clients are hedged on an ongoing basis and are consequently not used for position-taking.

The Bank has the following types of market risk:

- Interest rate risk
- Equity risk
- Foreign exchange risk
- Other market risks.

For security and control reasons, the Board of Directors emphasises that the Group's market risk is subject to central decision-making and management. Consequently the Group's most significant interest rate, foreign exchange and equity risks must be assumed by Sydbank A/S.

Market risk is managed by the Treasury department in Sydbank Markets in accordance with the policies and limits determined and adopted by the Bank's Board of Directors.

The Bank's controllers continuously monitor the individual risk areas and provide the Bank's management with extensive reporting on a continuing basis.

Interest rate risk

Interest rate risk comprises the Group's total risk of loss resulting from interest rate changes in the financial markets.

The Group adopts a cash flow model to determine the interest rate risk of fixed-rate positions (bonds etc). A duration model is used to calculate the interest rate risk of Danish callable mortgage bonds. Interest rate risk makes up the bulk of overall Group market risk.

In accordance with the method of calculation of the Danish FSA, interest rate risk is calculated as the risk of a parallel shift in the interest rate level of 1 percentage point in all currencies and totals DKK 156m or 1.5% at year-end (2009: 1.0%) of Group core capital (incl hybrid core capital) after deductions. A calculated loss of DKK 249m (2009: DKK 169m) derives from positions in Danish kroner. Such a parallel shift of 1 percentage point affects profit before tax by DKK 156m.

Interest rate risk by duration and currency

DKKm	0-1 yr	1-2 yrs	2-3 yrs	> 3 yrs	Total 2010	Total 2009
DKK	10	21	52	166	249	169
EUR	10	(57)	17	(62)	(92)	(75)
USD	(10)	0	0	6	(4)	(4)
CHF	1	0	(1)	3	3	2
SEK	(3)	0	0	0	(3)	0
Other	(1)	1	1	2	3	13
Total 2010	7	(35)	69	115	156	
Total 2009	(61)	10	129	27		105

The method of calculation of the Danish FSA allows full set-off between different currencies, maturities and yield curves. The Group is aware of the risk of these assumptions and monitors these risks separately on an ongoing basis.

The Group has established an internal interest rate risk scenario where set-off between currencies is not allowed – apart from EUR and DKK. The net curve risk cannot be lower than the risk on the highest of the three individual curves (government curve, Danish mortgage curve and swap curve). The risk on options recognised includes a premium.

Equity risk

The Group's portfolio of shares and holdings in associates represents DKK 2,201m at year-end (2009: 1,862 DKKm), including equity investments totalling DKK 1,258m (2009: DKK 1,207m).

In the event of a 10% share price change, profit before tax will be affected by DKK 220m (2009: DKK 186m), including equity investments totalling DKK 126m (2009: DKK 121m).

Foreign exchange risk

As in previous years the Group's foreign exchange risk was insignificant in 2010.

Notes – Risk Management

Liquidity risk

Liquidity risk is the risk that the Bank either cannot meet its payment obligations as they mature or is only capable to do so via disproportionately large funding costs.

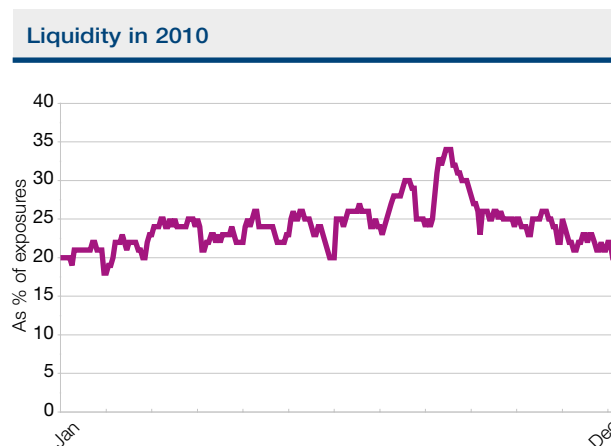
The Bank's Board of Directors aims to ensure adequate liquidity to honour the Bank's payment obligations by means of the following targets and policies:

- Consistently strong and stable deposit base which ensures stability in the long-term funding of the Bank's lending activities.
- Maintenance of a high level of ratings with Moody's.
- Active participation in the international money markets and access to the international capital markets through the application of loan programmes. Coupled with a high rating this ensures that the Bank has uninterrupted access to a diversified and competitive funding basis.
- Maintenance of a liquidity buffer which together with prudent management of the run-off profile of capital market funding ensures that the Bank's operating activities do not depend on capital market funding. In other words the liquidity buffer may in the short and medium term counterbalance the effects of an adverse liquidity situation.

The Bank's management determines the Bank's risk tolerance as regards liquidity risk. The operational targets for the Bank's risk tolerance comprise:

- Cash and cash equivalents relative to debt and guarantee exposures (section 152 (2) of the Danish Financial Business Act)
- Cash and cash equivalents relative to short-term debt and guarantee exposures (section 152 (1) of the Danish Financial Business Act)
- Deposit/loan ratio (excl repo/reverse transactions)
- Liquidity targets under a mild stress scenario, see below.

Liquidity for 2010, measured in relation to the 10% requirement as specified in section 152 of the Danish Financial Business Act, appears from the chart below.



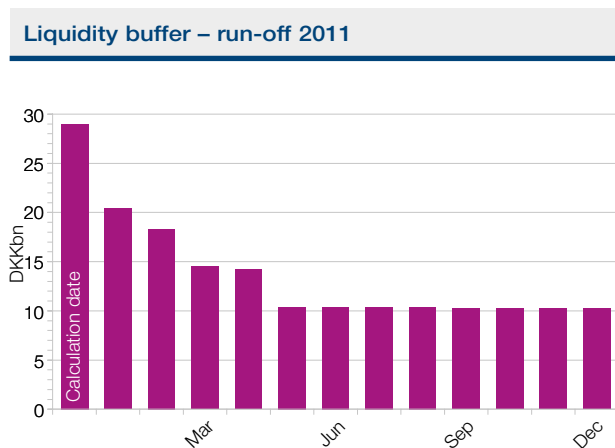
Moreover the size of liquidity is adjusted to the maturity profile of exposures to enable the Group to honour debt and guarantee exposures as they mature.

Reference is made to notes 27, 28, 29 and 32 for the maturity profiles of the Group's debt exposures.

In addition the Board of Directors has set requirements concerning the Group's ability to withstand a run-off of capital market funding, defined in terms of the interbank market and Global MTN issues, and at the same time finance a normal growth in loans and advances.

The time frame is 12 months and is based on a calculation of the Group's liquidity buffer, which is determined while taking into account the liquidity value of the Group's assets. Fully liquid deposits with Nationalbanken and certificates of deposit are included at full value in contrast to for instance unlisted shares which do not carry any value. Consequently the assets are recognised at a conservatively determined realisable value or loan value when calculating the liquidity buffer.

The run-off profile as of 31 December 2010 expressed by the so-called "Moody's chart" is shown below:



Nationally as well as internationally, new regulations are under way imposing further requirements in terms of liquidity. Some of these rules may have a significant impact on the Danish economy, including the Danish mortgage credit model. The Group is closely monitoring developments and preparing for the effects of any changed rules.

Notes – Risk Management

Operational risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk.

The Group classifies its operational losses in three main groups according to frequency and severity:

- high-frequency, low-severity losses
- medium-frequency, medium-severity losses
- low-frequency, high-severity losses.

High-frequency, low-severity losses are handled via the Group's budget and accounting systems. The extent is budgeted on an annual basis and assessed regularly via accounting follow-up at branch, regional and divisional levels.

Medium-frequency, medium-severity losses are handled via an internally developed system which collects loss data on an ongoing basis. Collection is electronic and loss data is classified according to event type and business line. Moreover the system ensures compliance with the Group's business procedures for approval, information, accounting and payment, if any.

Low-frequency, high-severity losses are handled manually, both when reporting the event and when reporting to management.

Management receives ongoing reporting as regards all medium-severity and high-severity losses, including distribution by event type and business line as well as developments concerning frequency and severity.

Collection and storage of loss data is a significant condition of any subsequent application of internal models to calculate the capital requirement.

On the basis of reported events and trends in other observable data business procedures and routines are continuously improved in order to minimise the number of errors and events involving a risk of loss.

The Group reviews all business lines with the aim of identifying and describing the largest individual risks where the Group may incur significant losses as well as the relevant business procedures and routines for the purpose of minimising such risks.

The Group applies the Standardised Approach to calculate the capital requirement in accordance with Basel II. Under this approach the capital requirement is calculated on the basis of weightings in compliance with the Capital Requirements Directive. Weightings are assigned to each of the following business lines:

- corporate finance
- trading and sales
- retail brokerage
- commercial banking
- retail banking
- payment and settlement
- agency services
- asset management.

The Group's accounting ensures that gross income can be allocated to these business lines and the Group's capital charge for operational risk is determined for each business line as gross income multiplied by the weighting assigned to the individual business line. In 2010 the Group's total capital charge for operational risk represented DKK 590m (2009: DKK 523m).

IT supply is a significant op risk aspect. On an ongoing basis the Group describes and reviews this area – system by system. Forming part of this description, individual event requirements have been set up regarding support, error reporting and error correction.

The Group's management continuously reviews IT security and specifies levels of eg accessibility and reliability of systems as well as data. As a result of these requirements, a significant part of the Group's use of IT has been mirrored and physically separated to minimise the risk of breakdown. The requirements apply to the internal IT organisation and Bankdata, the Group's primary IT supplier.

New measures

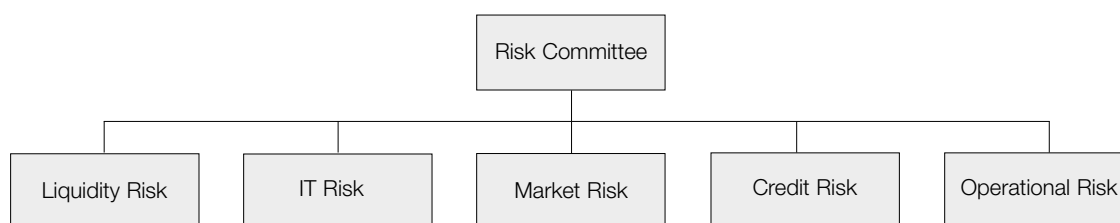
In 2010, for the purpose of enhancing risk management, the Group established a Risk Committee and a number of new subcommittees. Furthermore a Chief Risk Officer (CRO) was appointed.

The Risk Committee is composed of the Group Executive Management, Group Executive Vice Presidents of significant risk areas as well as the CRO.

Existing as well as new subcommittees are positioned under the Risk Committee and there is continuous reporting from the subcommittees to the Risk Committee.

In this context an overall risk assessment was made in 2010 based on an underlying analysis of the areas: credit risk, market risk, liquidity risk, operational risk and IT risk. The risk assessment has been adopted by the Board of Directors.

In 2010 the Board of Directors updated the credit policy and the liquidity risk policy as well as adopted a market risk policy. During spring 2011 the Board of Directors will adopt an operational risk policy.



Notes – Risk Management

Capital base

The Bank is a licensed financial services provider and must therefore comply with the capital requirements contained in the Danish Financial Business Act. Danish capital adequacy rules are based on EU capital requirements directives and apply to both the parent and the Group.

The capital adequacy rules call for a minimum capital level of 8% of the risks calculated plus any additional capital needed. Detailed rules regulate the calculation of capital and risks (risk-weighted assets).

The capital base is made up of core capital and supplementary capital. Core capital comprises shareholders' equity and hybrid core capital.

The difference between the carrying amount of shareholders' equity and the capital base is shown in note 3.

The Group's subordinated capital, hybrid core capital and supplementary capital may, subject to certain conditions, be included in the capital base. Sections 124, 132 and 136 of the Danish Financial Business Act specify these conditions. Note 32 shows subordinated capital.

The internal capital target is the level of capital that the Group wishes to have at its disposal to protect shareholders against loss under prevailing and future economic conditions. At year-end 2010, the internal capital target represents DKK 9.9bn.

The international rating agency, Moody's, regularly assesses the Group's ability to honour its payment obligations. The rating targets are an essential part of the Group's capital targets because a good rating gives the Group easier and cheaper access to capital and liquidity from the capital markets.

Management Statement

Today we have reviewed and approved the 2010 Annual Report of Sydbank A/S.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the financial statements of the parent company have been prepared in accordance with the Danish Financial Business Act. Furthermore, the annual report has been prepared in compliance with additional Danish disclosure requirements for annual reports of listed financial companies.

In our opinion the consolidated financial statements and the financial statements give a true and fair view of the Group's and the parent company's assets, shareholders' equity and liabilities and financial position at 31 December 2010 and of the results of the Group's and the parent company's operations and consolidated cash flows for the financial year 1 January – 31 December 2010. Moreover it is our opinion that the management's review includes a fair review of the developments in the Group's and the parent company's operations and financial position as well as a description of the most significant risks and elements of uncertainty which may affect the Group and the parent company, respectively.

We propose that the Annual Report be submitted
for adoption by the AGM.

Aabenraa, 15 February 2011

Group Executive Management

Karen Frøsig
(CEO)

Preben Lund Hansen

Allan Nørholm

Board of Directors

Kresten Philipsen
(Chairman)

Anders Thoustrup
(Vice-Chairman)

Svend Erik Busk

Peder Damgaard

Harry Max Friedrichsen

Hanni Toosbuy Kasprzak

Sven Rosenmeyer Paulsen

Steen Tophøj

Jan Uldahl-Jensen

Margrethe Weber

Auditors' Reports

Internal Audit

To the shareholders of Sydbank A/S

We have audited the consolidated financial statements and the parent company financial statements of Sydbank A/S for the financial year 1 January – 31 December 2010. The consolidated financial statements and parent company financial statements comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes for the Group as well as for the parent company and consolidated cash flow statement. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the parent company financial statements are prepared in accordance with the Danish Financial Business Act. Further, the consolidated financial statements and the parent company financial statements are prepared in accordance with Danish disclosure requirements for listed financial institutions.

In addition to our audit, we have read the Management's review which is prepared in accordance with Danish disclosure requirements for listed financial institutions and provided a statement hereon.

Basis of opinion

We conducted our audit on the basis of the executive order of the Danish Financial Supervisory Authority on the performance of the audit in financial enterprises etc and financial groups and in accordance with Danish Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements and the parent company financial statements are free from material misstatement.

The audit has been performed in accordance with the segregation of duties as agreed with the external auditor and involves evaluating established procedures and internal control including the risk management planned by Management as regards

reporting processes and significant business risks. Based on an evaluation of materiality and risk we have examined, on a test basis, the basis for the amounts and disclosures in the consolidated financial statements and the parent company financial statements, including examining evidence supporting the amounts and disclosures. The audit also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements and the parent company financial statements.

We have participated in the audit of significant and risky areas and we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, established procedures and internal control, including the risk management planned by Management as regards reporting processes and significant business risks of the Group and the parent company, are satisfactory.

Moreover, in our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 31 December 2010 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 January – 31 December 2010 in accordance with International Financial Reporting Standards as adopted by the EU in respect of the consolidated financial statements and in accordance with the Danish Financial Business Act in respect of the parent company financial statements and in accordance with Danish disclosure requirements for listed financial institutions.

Internal Audit

Statement on the Management's review

Management is responsible for the preparation of a Management's review that includes a fair review in accordance with Danish disclosure requirements for listed financial institutions.

Our audit has not included the Management's review but we have read the Management's review pursuant to the Danish Financial Business Act. We have not performed any further pro-

cedures in addition to the audit of the consolidated financial statements and the parent company financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the consolidated financial statements and the parent company financial statements.

Aabenraa, 15 February 2011

Ole Kirkbak
Head of Internal Audit

Auditors' Reports

Independent Auditors' Report

To the shareholders of Sydbank A/S

We have audited the consolidated financial statements and the parent company financial statements of Sydbank A/S for the financial year 1 January – 31 December 2010. The consolidated financial statements and parent company financial statements comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes for the Group as well as for the parent company and consolidated cash flow statement. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the parent company financial statements are prepared in accordance with the Danish Financial Business Act. Further, the consolidated financial statements and the parent company financial statements are prepared in accordance with Danish disclosure requirements for listed financial institutions.

In addition to our audit, we have read the Management's review which is prepared in accordance with Danish disclosure requirements for listed financial institutions and provided a statement hereon.

Management's responsibility

Management is responsible for the preparation and presentation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU (the Group), the Danish Financial Business Act (the parent company), and Danish disclosure requirements for listed financial institutions. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and presentation of consolidated financial statements and parent company financial statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error; selecting and applying appropri-

ate accounting policies; and making accounting estimates that are reasonable in the circumstances. Management is also responsible for the preparation of a Management's review that includes a fair review in accordance with Danish disclosure requirements for listed financial institutions.

Auditors' responsibility and basis of opinion

Our responsibility is to express an opinion on the consolidated financial statements and parent company financial statements based on our audit. We conducted our audit in accordance with Danish Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements and the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the parent company financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and presentation of consolidated financial statements and parent company financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements and the parent company financial statements.

Independent Auditors' Report

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. Our audit has not resulted in any qualification.

Opinion

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 31 December 2010 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 January – 31 December 2010 in accordance with International Financial Reporting Standards as adopted by the EU in respect of the consolidated financial statements and in

accordance with the Danish Financial Business Act in respect of the parent company financial statements and in accordance with Danish disclosure requirements for listed financial institutions.

Statement on the Management's review

Pursuant to the Danish Financial Business Act, we have read the Management's review. We have not performed any other procedures in addition to the audit of the consolidated financial statements and the parent company financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the consolidated financial statements and the parent company financial statements.

Aabenraa, 15 February 2011

KPMG

Statsautoriseret Revisionspartnerselskab

Jakob Nyborg

State Authorised Public Accountant

Jon Midtgaard

State Authorised Public Accountant

Company Announcements and Financial Calendar

Announcements to NASDAQ OMX Copenhagen A/S 2010

No	Date	Contents
01/2010	11 February 2010	Notice convening the Annual General Meeting of Sydbank A/S
02/2010	16 February 2010	Announcement of the 2009 Financial Statements
03/2010	19 February 2010	Staff elected to Sydbank's Board of Directors
04/2010	4 March 2010	The Annual General Meeting of Sydbank A/S
05/2010	27 April 2010	Interim Report – Q1 2010
06/2010	23 July 2010	EU-wide stress test 2010
07/2010	17 August 2010	Interim Report – First Half 2010
08/2010	1 September 2010	IT collaboration between Bankdata and Jyske Bank
09/2010	17 September 2010	Prepayment of supplementary capital
10/2010	7 October 2010	Peter Gæmelke to resign from the Board of Directors
11/2010	26 October 2010	Interim Report – Q1-Q3 2010
12/2010	30 November 2010	Sydbank's Board of Directors

2011 Financial Calendar

15 February 2011	2010 Annual Report
10 March 2011	Annual General Meeting of Sydbank A/S
26 April 2011	Interim Report – Q1 2011
16 August 2011	Interim Report – First Half 2011
25 October 2011	Interim Report – Q1-Q3 2011

Shareholders' Meetings 2011

Region	Date	Time	Venue
Copenhagen	Monday 21 March	6.30pm	The Royal Library, The Queen's Hall (The Black Diamond)
Esbjerg	Monday 21 March	6.30pm	Musikhuset
Gråsten	Thursday 24 March	6.30pm	Ahlmannsparken
Horsens	Monday 14 March	6.30pm	Forum Horsens
Kolding	Tuesday 22 March	6.30pm	Kolding Teater
Nordborg	Tuesday 15 March	6.30pm	Nørherredhus
Odense	Tuesday 22 March	6.30pm	Radisson SAS H.C. Andersen Hotel
Padborg	Wednesday 23 March	6.30pm	Grænsehal 3, Kruså
Svendborg	Thursday 17 March	6.30pm	Svendborg Erhvervsskole
Sønderborg	Wednesday 16 March	6.30pm	Frihedshallen
Tønder	Thursday 17 March	6.30pm	Tønderhal 2
Varde	Wednesday 16 March	6.30pm	Hotel Arnbjerg
Vejle	Tuesday 15 March	6.30pm	Musikteatret
Aabenraa	Wednesday 23 March	6.30pm	Aabenraa Svømme- og Idrætscenter
Aarhus	Monday 14 March	6.30pm	Scandinavian Congress Center

Notice Convening the Annual General Meeting

Notice convening the Annual General Meeting of Sydbank A/S

On Thursday 10 March 2011 at 3pm, Sydbank's Annual General Meeting will be held at Folkehjem, Haderslevvej 7, 6200 Aabenraa.

Agenda according to Article 8 of the Articles of Association:

1. Report of the Board of Directors on the Bank's activities in 2010.
2. Submission of the audited annual report for adoption.
3. Motion for the allocation of profit or cover of loss according to the adopted annual report.
4. Election of members to the Shareholders' Committee.
5. Appointment of auditor.
6. Proposals to amend the Articles of Association:
 - a. Amendment of Article 8 (2) 6 to: "Authority to the Board of Directors to allow the Bank to acquire own shares."
 - b. Insertion in Article 9 (2): "A shareholder may moreover vote by postal vote".
7. Decision on whether the Bank wishes to declare whether it would use the winding-up scheme under the Danish Act on Financial Stability if the Bank were to become distressed.
8. Submission of the remuneration policy for adoption.
9. Authority to the Board of Directors to allow the Bank to acquire own shares.
10. Any other business.

The agenda, complete proposals and audited annual report will be available for inspection by the shareholders at sydbank.com/generalmeeting and at Sydbank's branches no later than three weeks before the General Meeting.

The Bank's share capital totals DKK 742,499,990.

As regards shareholders' voting rights, reference is made to Article 10 of the Bank's Articles of Association.

Shareholders are entitled to attend and to vote in respect of the shares of the shareholder with respect to the shares held by the shareholder on the date of registration. The date of registration is 3 March 2011.

Admission cards for the General Meeting can be ordered at any of Sydbank's branches or at sydbank.dk or sydbank.com no later than Monday 7 March 2011. Admission cards will be sent by post after the date of registration.

If a shareholder wishes to vote by postal vote or to issue an instrument of proxy to the Board of Directors or others, the necessary documents are available at the Bank's websites. Instruments of proxy must have been received by the Bank no later than 7 March 2011 and postal votes must have been received by the Bank no later than the day before the General Meeting, ie no later than 9 March 2011.

Aabenraa, 9 February 2011

The Board of Directors of Sydbank A/S
Kresten Philipsen, Chairman

Board of Directors and Group Executive Management

Board of Directors

Following the AGM on 4 March 2010 the Board of Directors elected its chairman Kresten Philipsen and vice-chairman Anders Thoustrup.

Following the AGM Steen Tophøj was elected new staff-elected member of the Board of Directors.

Peter Gæmelke and Otto Christensen resigned from the Board of Directors on 7 October and 30 November 2010, respectively.

Chairman

Kresten Philipsen

Lundtoftbjerg, Aabenraa

Born 29 June 1945.

Elected to Board of Directors in 1999.

Expiry of current term of office: 2011.

Chairman of Remuneration Committee and member of Audit Committee.

Farmer, former county mayor, Chairman of the Boards of Directors of

Lundtoftbjerg Opformering AmbA, Privathospitalet Kollund A/S and Bech, Holm og Jacobsens Almene Fond.

Member of the Boards of Directors of DONG Energy Power Holding A/S, A/S Plantningsselskabet Sønderjylland, Fonden til Fremme af Elitesport og Kultur i Sønderjylland and DTL Vask ApS.

Member of the Executive Management of Lundtoftbjerg Invest ApS.

Vice-Chairman

Anders Thoustrup

Randers

Born 27 February 1949.

Elected to Board of Directors in 2000.

Expiry of current term of office: 2012.

Member of Audit Committee and Remuneration Committee.

General manager, Chairman of the Boards of Directors of Randers Investeringsselskab A/S, Maskinfabrikken Fornax A/S and AGLsign ApS. Member of the Boards of Directors of Fond til fordel for almenvællet i Randers og omegn,

Hotel Randers A/S, Aktieselskabet af 1. August 1942, Sonja og Wilhelm Mathisens Fond, Randers Parkering & Service A/S, Somawhe Estates Ltd., Zambia, A/S Randers Maskin-, Automobil- og Tandhjulsfabrik and Neosen ApS. Member of the Board of Directors/ Executive Management of Thoustrup & Overgaard A/S and Danish African Development Company A/S. Member of the Executive Management of Egevangen Invest ApS.

Svend Erik Busk

Aabenraa

Born 16 January 1948.

Elected to Board of Directors in 2009.

Expiry of current term of office: 2013.

Chairman of Audit Committee.

General manager, Chairman of the Boards of Directors of DUKAS Danmark A/S, Bjergmose A/S and Application Factory ApS. Member of the Boards of Directors of Duus A/S, ZENI Arkitekter A/S, Heinrich Callesen Holding A/S, JFJ Invest Haderslev ApS, Soenderskov ApS, Van Loon ApS, Van Overbeek ApS, RC Landbrug ApS and Aabenraa Antikvitetshandel, Hans Jørgen Petersen A/S. General Manager of Slovakian Farm Invest A/S, Artemis A/S, Staudan A/S, Bravelight ApS, 2+STAU ApS and Envi-Tech ApS.

**Peder Damgaard
Gråsten**

Born 13 December 1956.
Elected to Board of Directors in 2006.
Expiry of current term of office: 2014.
Principal, Gråsten Landbrugsskole.

**Hanni Toosbuy Kasprzak
Haderslev**

Born 21 July 1957.
Elected to Board of Directors in 2006.
Expiry of current term of office: 2014.
Board Chairman, Chairman of the Boards of Directors of Ecco Sko A/S, Ecco Holding A/S, Hada Holding A/S, Ecco Asia Pacific Ltd., Ecco USA Inc. and Kasprzak Holding ApS. Member of the Boards of Directors of Toosbuys Fond and Dressurens venner.

**Sven Rosenmeyer Paulsen
Copenhagen**

Born 23 January 1947.
Elected to Board of Directors in 2006.
Expiry of current term of office: 2012.
Member of Remuneration Committee. Supreme Court Attorney. Chairman of the Board of Directors of CS & P Wagenborg I K/S. Member of the Boards of Directors of Nordic Tankers A/S and Herring Shipping I K/S.

**Harry Max Friedrichsen
Stubbæk, Aabenraa**

Born 17 April 1951.
Elected to Board of Directors in 1990.
Expiry of current term of office: 2014.
Assistant Manager, elected by the staff.

**Steen Tophøj
Odense**

Born 2 January 1967.
Elected to Board of Directors in 2010.
Expiry of current term of office: 2014.
Head of Retail Banking, elected by the staff.

**Jan Uldahl-Jensen
Kolding**

Born 11 February 1953.
Elected to Board of Directors in 2002.
Expiry of current term of office: 2014.
Assistant Manager, elected by the staff.

**Margrethe Weber
Aabenraa**

Born 8 July 1956.
Elected to Board of Directors in 1993.
Expiry of current term of office: 2014.
Bank Clerk, elected by the staff.

Group Executive Management

CEO

Karen Frøsig

Born 23 September 1958.
Group Executive Management member since 2008, CEO since 2010.
Chairman of the Board of Directors of Ejendomsselskabet af 1. juni 1986 A/S.
Vice-Chairman of Bogføringsforeningen Bankdata and Regional Bankers' Association. Member of the Boards of Directors of PRAS A/S, the Danish Bankers' Association and Totalkredit A/S.

Deputy Group Chief Executive

Preben Lund Hansen

Born 21 January 1950.
Group Executive Management member since 1992.
Vice-Chairman of the Board of Directors of DLR Kredit A/S. Member of the Board of Directors of Ejendomsselskabet af 1. juni 1986 A/S.

Deputy Group Chief Executive

Allan Nørholm

Born 9 August 1965.
Group Executive Management member since 2008.
Chairman of the Board of Directors of Sydbank (Schweiz) AG. Member of the Boards of Directors of Value-Call S.A. and BankInvest.

Regions

Esbjerg Region

Head of Region Brian Knudsen

Regional head office

Kongensgade 62, DK-6701 Esbjerg
Tel +45 74 37 65 00

Horsens Region

Head of Region Henning Barsøe

Regional head office

Søndergade 18-20, DK-8700 Horsens
Tel +45 74 37 76 00

Copenhagen Region

Head of Region Henning Juhl Jessen

Regional head office

Kgs. Nytorv 30, DK-1050 Copenhagen K
Tel +45 74 37 78 00

Kolding Region

Head of Region Finn Boel Pedersen

Regional head office

Jernbanegade 14, DK-6000 Kolding
Tel +45 74 37 50 00

Herning Region

Head of Region Claus Brændstrup

Regional head office

Dalgasgade 22, DK-7400 Herning
Tel +45 74 37 62 00

Odense Region

Head of Region Niels K. Andersen

Regional head office

Vestergade 33, DK-5100 Odense C
Tel +45 74 37 92 00

Padborg Region

Head of Region Grethe Harmuth

Regional head office

Møllegade 3, DK-6330 Padborg
Tel +45 74 37 60 90

Roskilde Region

Head of Region Mogens Nygaard

Regional head office

Københavnsvej 9, DK-4000 Roskilde
Tel +45 74 37 42 50

Slagelse Region

Head of Region Hans Iversen

Regional head office

Nytorv 11 A, DK-4200 Slagelse
Tel +45 74 37 94 00

Svendborg Region

Head of Region Ole Laugesen

Regional head office

Klosterplads 2, DK-5700 Svendborg
Tel +45 74 37 64 00

Sønderborg Region

Head of Region Bente Holm Skylvad

Regional head office

Jernbanegade 35, DK-6400 Sønderborg
Tel +45 74 37 70 00

Tønder Region

Head of Region Arne Jørgensen

Regional head office

Storegade 28, DK-6270 Tønder
Tel +45 74 37 53 00

Varde Region

Head of Region Finn Christensen

Regional head office

Vestergade 4, DK-6800 Varde
Tel +45 74 37 67 00

Vejle Region

Head of Region Tina Kroman Lyngsø

Regional head office

Kirketorvet 4, DK-7100 Vejle
Tel +45 74 37 58 00

Aabenraa Region

Head of Region Allan Lorentsen

Regional head office

Storegade 18, DK-6200 Aabenraa
Tel +45 74 37 30 00

Aalborg Region

Head of Region Laurits Brandt Andersen

Regional head office

Vingårdsgade 21, DK-9000 Aalborg
Tel +45 74 37 72 40

Aarhus Region

Head of Region
Torben Rosenberg Rasmussen

Regional head office

Store Torv 12, DK-8100 Aarhus C
Tel +45 74 37 57 00

Germany

Kim Møller Nielsen
Group Executive Vice President

Regional head office

Rathausplatz 11, D-24937 Flensburg
Tel +49 461 86 020

PBI

Allan W. Larsen
Group Executive Vice President

Torvet 2, DK-6300 Gråsten
Tel +45 74 37 73 00

Sydbank (Schweiz) AG

Dr. Thomas König, CEO
Jørn Gregersen, COO

Poststrasse 17, CH-9000 St. Gallen
Tel +41 71 227 81 00

Organisation

Board of Directors

Internal Audit
Ole Kirkbak

Group Executive Management

Karen Frøsig

Preben Lund Hansen

Allan Nørholm

Central functions

Global Payments &
Cash Management
Niels Skyldvad

Compliance
Stig Westergaard

Corporate Banking & Finance
Bjarne Larsen

Group Executive Management
Secretariat & IT
Niels Møllegaard

Wealth & Financial Advisory
Services
Per Olesen

Business Processes
Mogens Kristensen

Operations
Jørgen Møller Madsen

Legal Department
Karin Sønderbæk

Asset Management
Michael Andersen

Communications
Eva Sand

Credits
Per Klitt Jensen

Retail & Corporate Clients
Jess Olsen

Sydbank Markets
Lars Bolding

HR
Else Guldager

Risk
Bettina Petersen

Accounting
Mogens Sandbæk

Line functions

Esbjerg Region
Brian Knudsen

Horsens Region
Henning Barsøe

Copenhagen Region
Henning Juhl Jessen

Kolding Region
Finn Boel Pedersen

Herning Region
Claus Brændstrup

Odense Region
Niels K. Andersen

Padborg Region
Grethe Harmuth

Svendborg Region
Ole Laugesen

Sønderborg Region
Bente Holm Skyldvad

Tønder Region
Arne Jørgensen

Varde Region
Finn Christensen

Vejle Region
Tina Kromann Lyngsø

Slagelse Region
Hans Iversen

Roskilde Region
Mogens Nygaard

Aabenraa Region
Allan Lorentsen

Aalborg Region
Laurits Brandt Andersen

Aarhus Region
Torben R. Rasmussen

Sydbank in Germany
Kim Møller Nielsen

PBI in Gråsten
Allan W. Larsen

Sydbank (Schweiz) AG
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