

The Copenhagen Stock Exchange  
The London Stock Exchange  
Other stakeholders

## **Stock Exchange Announcement No 08/04**

Date  
16 August 2004

Dear Sirs

### **2004 Interim Report etc of the Sydbank Group**

- **Continued improvement in core income**
- **Upward adjustment of 2004 profit outlook**
- **Proposal for capital reduction**
- **Extraordinary general meeting**

We are pleased to enclose Sydbank's 2004 Interim Report. Today, in connection with the approval of the Interim Report, the Bank's Board of Directors resolved to convene an extraordinary general meeting scheduled for Tuesday, 7 September 2004 to obtain shareholder approval of a capital reduction of the Bank's share capital by DKK 25m nominal to DKK 700m. This proposal is based on the Bank's continued satisfactory financial performance and its ample capital resources.

### **Satisfactory pre-tax profit of DKK 417m for the half-year**

Sydbank recorded a satisfactory pre-tax profit of DKK 417m for the first six months of 2004, equal to a 19% return p.a. on shareholders' equity. Based on continued positive trends in core income in the half-year, the 2004 core earnings outlook is adjusted upwards to DKK 575-650m.

The profit and loss account is characterized by:

- unchanged core income excl trading income
- 18% rise in trading income to DKK 376m
- 4.7% growth in costs
- unchanged provisions for bad and doubtful debts
- DKK 25m increase in core earnings to DKK 343m
- DKK 74m profit from investment portfolios

The post-tax profit of DKK 289m is identical to a 13% return p.a. on average shareholders' equity. Book value constitutes DKK 607 per share.

Group balance sheet highlights include:

- 8% rise in ordinary loans and advances to DKK 37.5bn
- 17% growth in deposits to DKK 41.5bn

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<b>Profit and loss account 1 January to 30 June (DKKm)</b>	<b>2003</b>	<b>2004</b>
Core income excl trading income	959	965
Trading income	320	376
<b>Total core income</b>	<b>1,279</b>	<b>1,341</b>
Costs and depreciation	812	850
Provisions for bad and doubtful debts	149	148
<b>Core earnings</b>	<b>318</b>	<b>343</b>
Profit from investment portfolios	136	74
<b>Pre-tax profit</b>	<b>454</b>	<b>417</b>
Tax	153	128
<b>Post-tax profit</b>	<b>301</b>	<b>289</b>

### **Core income**

Core income excl trading income totals DKK 965m compared with DKK 959m for the first half of 2003. Interest margin income etc decreased by DKK 14m compared with 2003. Consequently the satisfactory growth in loans and advances and deposits has been unable to compensate for reduced income due to receding interest margins. Other core income excl trading income records an overall rise of DKK 20m.

Increased business activity in Sydbank Markets and in the Bank's decentralized investment units has generated a rise in trading income from DKK 320m to DKK 376m in the half-year. A satisfactory growth supported by growing demand and high activity within all product areas. Corporate clients' demand for exchange rate and interest rate products in particular has grown substantially compared with one year ago and private investors' interest in bonds and especially shares is undiminished.

Total core income amounts to DKK 1,341m.

### **Costs and depreciation**

Costs and depreciation related to core income grew by DKK 38m (4.7%) to DKK 850m.

At the end of the first half-year, staff members numbered 2,024 compared with 1,979 at the same time in 2003. The rise in staff is the result of growing business activity. The number of branches totals 116 following the opening of the new branch in Viborg in June 2004.

### **Provisions for bad and doubtful debts**

The charge for loans and advances etc remains DKK 148m for the half-year, equal to 0.6% p.a. of ordinary loans and advances, guarantees and provisions.

Provisions etc at 30 June	2003		2004	
	DKKm	%*	DKKm	%*
Total provisions	1,399	3.1	1,525	3.1
A-provisions	1,287	2.9	1,421	2.9
Non-performing ordinary loans and advances	166	0.4	148	0.3

\*In percentage terms of ordinary loans and advances, guarantees and provisions

### Core earnings

Total core earnings represent DKK 343m compared with DKK 318m in 2003.

### Profit from investment portfolios

Profit from investment portfolios amounts to DKK 74m for the first six months of 2004 (2003: DKK 136m), including return on own holdings of DKK 29m.

### Subsidiary undertakings

The subsidiary undertakings, DMK-Holding and SBK-Invest, contribute a pre-tax profit of DKK 26m (2003: DKK 23m). The subsidiary bank, Sydbank (Schweiz) AG in St. Gallen, recorded a pre-tax loss of DKK 7m. The total profit of the subsidiary undertakings has been included in core earnings.

### Post-tax profit

The Group's pre-tax profit makes up DKK 417m. The Group's tax charge, including tax on loan loss reserves, is calculated to be DKK 128m. Post-tax profit represents DKK 289m.

### Balance sheet and capital

At 30 June 2004 the Group's total assets amount to DKK 69bn.

Ordinary loans and advances have increased by DKK 2.8bn to DKK 37.5bn compared with a year ago.

Balance sheet	2003	2004
<b>Assets at 30 June (DKKbn)</b>		
Amounts owed by credit institutions etc	4.9	6.5
Ordinary loans and advances	34.7	37.5
Reverse repo loans and advances	4.7	6.3
Securities and holdings in associated and group undertakings	20.9	15.6
Other assets	4.6	3.3
<b>Total assets</b>	<b>69.8</b>	<b>69.2</b>

<b>Liabilities at 30 June (DKKbn)</b>		
Amounts owed to credit institutions	20.9	13.9
Deposits	35.5	41.5
Bonds issued	1.9	1.9
Other liabilities	5.9	6.2
Subordinated capital (Tier 2)	1.5	1.3
Shareholders' equity (Tier 1)	4.1	4.4
<b>Total liabilities</b>	<b>69.8</b>	<b>69.2</b>

Group deposits rose by DKK 6.0bn to DKK 41.5bn.

Guarantees etc went up by DKK 1.1bn to DKK 10.2bn.

Supplementary capital (Tier 2) constitutes DKK 1,263m at the end of June 2004. During the last 12 months an amount of DKK 200m has been repaid.

In the first half of 2004, shareholders' equity (Tier 1) of DKK 4,331m at the end of 2003 was reduced by DKK 222m in connection with a capital reduction from DKK 750m to DKK 725m. Shareholders' equity (Tier 1) – including post-tax profit for the half-year – totals DKK 4,398m at 30 June 2004.

The Group's solvency ratio (total capital) stands at 10.1% (2003: 10.5%) and the core capital ratio (Tier 1) at 8.1% (2003: 7.9%). If half-year profit is included, solvency and core capital ratios amount to 10.7% and 8.7% respectively.

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

### **Implementing international accounting standards (IAS/IFRS)**

The Group's continued preparations as regards the implementation of the international accounting standards are progressing according to plan.

### **Outlook for 2004 as a whole**

Performance and customer development has been satisfactory in the first half of 2004 and the economic outlook seems to be fairly bright. Against this background it is expected that the need for provisions for bad and doubtful debts in 2H 2004 will be lower than that of 1H. Moreover as the Group's core earnings for the first six months of 2004 is ahead of budget, as a result of improved trading income, the 2004 outlook for core earnings is adjusted upwards to DKK 575-650m.

As in previous years, profit from investment portfolios will depend on financial market developments, including price levels at the end of 2004.

The Sydbank Group anticipates that Nykredit will exercise the options on Totalkredit shares that expire on 1 October 2004. The projected sale will generate a tax-free gain of DKK 88m.

### **Capital reduction and extraordinary general meeting**

Based on the Bank's continued satisfactory financial performance and its ample capital resources, the Board of Directors has resolved to recommend a capital reduction of the Bank's share capital by DKK 25m nominal to DKK 700m nominal. A proposal to that effect will be submitted to the extraordinary general meeting, scheduled for 7 September 2004 at 15.00 at the Bank's premises at Peberlyk in Aabenraa. Moreover, proposals to adjust the Bank's articles of association as regards shareholders' meetings and local shareholders' meetings as well as the election of auditors will be submitted.

Yours faithfully



Carsten Andersen  
Chief Executive

Please address any enquiries regarding the Interim Report to Carsten Andersen, Chief Executive, on telephone +45 74 36 20 00 or Mogens Asmund, General Manager, on telephone +45 74 36 20 50.

## GROUP FINANCIAL HIGHLIGHTS

	1H 2002	2H 2002	1H 2003	2H 2003	1H 2004	Full year 2003
<b>Profit and loss account (DKKm)</b>						
Core income excl trading income	929	917	959	906	965	1,865
Trading income	240	275	320	318	376	638
<b>Total core income</b>	<b>1,169</b>	<b>1,192</b>	<b>1,279</b>	<b>1,224</b>	<b>1,341</b>	<b>2,503</b>
Costs and depreciation	785	788	812	842	850	1,654
Provisions for bad and doubtful debts	149	150	149	151	148	300
<b>Core earnings</b>	<b>235</b>	<b>254</b>	<b>318</b>	<b>231</b>	<b>343</b>	<b>549</b>
Profit from investment portfolios	76	44	136	81	74	217
<b>Profit before Totalkredit gain</b>	<b>311</b>	<b>298</b>	<b>454</b>	<b>312</b>	<b>417</b>	<b>766</b>
Gain on sale of Totalkredit	-	-	-	282	-	282
<b>Pre-tax profit</b>	<b>311</b>	<b>298</b>	<b>454</b>	<b>594</b>	<b>417</b>	<b>1,048</b>
Tax	95	100	153	223	128	376
<b>Post-tax profit</b>	<b>216</b>	<b>198</b>	<b>301</b>	<b>371</b>	<b>289</b>	<b>672</b>

### Balance sheet, end of half-year (DKKbn)

Ordinary loans and advances	32.5	33.9	34.7	34.9	37.5	34.9
Reverse repo loans and advances	4.9	4.7	4.7	4.7	6.3	4.7
Deposits	32.8	33.4	35.5	37.8	41.5	37.8
Bonds issued	1.9	1.9	1.9	1.9	1.9	1.9
Subordinated capital (Tier 2)	1.2	1.3	1.5	1.3	1.3	1.3
Shareholders' equity (Tier 1)	3.5	3.6	4.1	4.3	4.4	4.3
Total assets	70.1	66.8	69.8	73.5	69.2	73.5
Guarantees etc	8.3	8.6	9.1	9.3	10.2	9.3

### Financial ratios and key figures

#### The Sydbank share (DKK per share)

Pre-tax profit	41.5	39.7	60.5	79.3	56.5	139.7
Post-tax profit	28.9	26.3	40.1	49.5	39.2	89.6
Share price, end of half-year	490	490	687	803	895	803
Book value	466	477	549	578	607	578
Share price/book value	1.05	1.03	1.25	1.39	1.48	1.39

#### Sydbank Group

Solvency ratio (total capital)	10.4	11.4	10.5	11.1	10.1	11.1
Core capital (Tier 1) ratio	7.6	8.3	7.9	8.9	8.1	8.9
Pre-tax profit as % of avg shareholders' equity p.a.	18.4	16.8	22.9	28.2	19.1	25.7
Post-tax profit as % of avg shareholders' equity p.a.	12.8	11.1	15.2	17.6	13.3	16.5
Income/cost ratio (DKK)	1.33	1.32	1.47	1.60	1.42	1.53
Interest rate risk	4.8	5.9	5.3	4.8	2.4	4.8
Foreign exchange risk	0.1	0.1	0.1	0.1	0.0	0.1
Provisions ratio	2.9	2.8	2.8	2.9	2.7	2.9
Write-off and provisions ratios for the half-year	0.6	0.6	0.6	0.6	0.6	0.6
Number of full-time staff, end of half-year	1,958	1,945	1,979	1,988	2,024	1,988

## PROFIT AND LOSS ACCOUNT FOR THE FIRST HALF-YEAR

DKKm	Note	Sydbank Group		Sydbank A/S	
		2003	2004	2003	2004
Interest income	5	1,530	1,332	1,515	1,315
Interest expense	6	653	513	651	513
<b>Net interest income</b>	7	<b>877</b>	<b>819</b>	<b>864</b>	<b>802</b>
Dividends from shares		30	39	30	39
Fee and commission income		394	453	365	421
Fee and commission expense		38	44	38	43
<b>Net interest and fee income</b>		<b>1,263</b>	<b>1,267</b>	<b>1,221</b>	<b>1,219</b>
Market value adjustment of securities and foreign exchange income	8	145	137	147	137
Other operating income	9	14	17	8	10
Staff costs and administrative expenses	10	772	819	749	788
Depreciation of tangible assets		42	36	37	34
Other operating expenses		2	0	2	0
Provisions for bad and doubtful debts	4	149	148	145	147
Profit/(Loss) on holdings in associated and group undertakings	11	(3)	(1)	11	20
<b>Pre-tax profit</b>		<b>454</b>	<b>417</b>	<b>454</b>	<b>417</b>
Tax	12	153	128	153	128
<b>Post-tax profit</b>		<b>301</b>	<b>289</b>	<b>301</b>	<b>289</b>

## BALANCE SHEET AT 30 JUNE

DKKm	Note	Sydbank Group		Sydbank A/S	
		2003	2004	2003	2004
<b>Assets</b>					
Cash and balances on demand at central banks		515	555	514	552
Amounts owed by credit institutions and central banks	13	4,424	5,918	4,358	5,902
Loans and advances		39,365	43,821	39,516	43,930
Bonds		19,043	13,222	19,043	13,221
Shares etc		1,630	1,971	1,629	1,970
Interests in associated undertakings etc		172	185	172	185
Shares in group undertakings		-	-	127	155
Tangible assets		906	853	664	653
Own holdings	14	70	228	70	228
Other assets	15	3,600	2,416	3,518	2,311
Prepayments		38	40	37	38
<b>Total assets</b>		<b>69,763</b>	<b>69,209</b>	<b>69,648</b>	<b>69,145</b>
<b>Liabilities</b>					
Amounts owed to credit institutions and central banks		20,911	13,882	20,911	13,947
Deposits	16	35,469	41,514	35,469	41,466
Bonds issued		1,858	1,858	1,857	1,858
Other liabilities	17	5,769	6,141	5,703	6,104
Deferred income		48	44	0	0
Provisions for obligations	18	134	109	134	109
Subordinated capital (Tier 2)	19	1,459	1,263	1,459	1,263
Shareholders' equity (Tier 1):	1				
Share capital		750	725	750	725
Reserves		433	601	433	601
Brought forward from previous years		2,631	2,783	2,631	2,783
Post-tax profit year-to-date		301	289	301	289
Total shareholders' equity (Tier 1)		4,115	4,398	4,115	4,398
<b>Total liabilities</b>		<b>69,763</b>	<b>69,209</b>	<b>69,648</b>	<b>69,145</b>
<b>Off-balance sheet items</b>					
Guarantees etc	20	9,063	10,182	9,080	10,192
Other commitments	20	156	99	156	99
<b>Total off-balance sheet items</b>		<b>9,219</b>	<b>10,281</b>	<b>9,236</b>	<b>10,291</b>

## ACCOUNTING POLICIES

Sydbank's Interim Report has been prepared in accordance with the Danish Banking Act, the Financial Business Act, the Executive Order on Bank Accounts and accounting standards issued by the Danish Financial Supervisory Authority. Furthermore the Interim Report has been prepared in accordance with the Copenhagen Stock Exchange requirements for disclosure of information by listed companies, including Danish accounting standards to the extent that the Danish Banking Act, the Executive Order on Bank Accounts and accounting standards issued by the Danish Financial Supervisory Authority do not provide otherwise.

The accounting policies applied are consistent with those adopted in the preceding half-year.

## GROUP STRUCTURE

	Share capital (m)	Equity (DKKm)*	Ownership share (%)
<b>Sydbank A/S</b>	DKK 725	4,398	
<b>Consolidated subsidiary undertakings</b>			
DMK-Holding A/S	DKK 11	30	100
SBK-Invest A/S	DKK 10	18	100
Ejendomsselskabet af 1. juni 1986 A/S	DKK 3	6	100
Sydbank (Schweiz) AG, Switzerland	CHF 21	101	100

All consolidated subsidiary undertakings are domiciled in Aabenraa, unless otherwise stated.

\*) Including profit for the half-year

## SIX QUARTER SUMMARY

	Q1 2003	Q2 2003	Q3 2003	Q4 2003	Q1 2004	Q2 2004
<b>Profit and loss account (DKKm)</b>						
Core income excl trading income	478	481	463	443	479	486
Trading income	149	171	155	163	231	145
<b>Total core income</b>	<b>627</b>	<b>652</b>	<b>618</b>	<b>606</b>	<b>710</b>	<b>631</b>
Costs and depreciation	418	394	399	443	432	418
Provisions for bad and doubtful debts	74	75	77	74	75	73
<b>Core earnings</b>	<b>135</b>	<b>183</b>	<b>142</b>	<b>89</b>	<b>203</b>	<b>140</b>
Profit/(Loss) from investment portfolios	38	98	23	58	90	(16)
<b>Profit before Totalkredit gain</b>	<b>173</b>	<b>281</b>	<b>165</b>	<b>147</b>	<b>293</b>	<b>124</b>
Gain on sale of Totalkredit	-	-	-	282	-	-
<b>Pre-tax profit</b>	<b>173</b>	<b>281</b>	<b>165</b>	<b>429</b>	<b>293</b>	<b>124</b>
Tax	55	98	55	168	90	38
<b>Post-tax profit</b>	<b>118</b>	<b>183</b>	<b>110</b>	<b>261</b>	<b>203</b>	<b>86</b>

## ITEMIZED GROUP FINANCIAL HIGHLIGHTS

	1H	1H	Full year
DKKm	2003	2004	2003
<b>Core income excl trading income:</b>			
Interest margins etc	744	730	1,444
Mortgage credit	62	67	125
Payment services	33	36	68
Remortgaging and loan fees	50	52	97
Other commission	56	63	110
Other operating income	14	17	21
<b>Total</b>	<b>959</b>	<b>965</b>	<b>1,865</b>
<b>Trading income:</b>			
Bonds	93	100	167
Shares	47	98	122
Foreign exchange	36	40	85
Money market	42	26	71
Asset management	102	112	193
<b>Total</b>	<b>320</b>	<b>376</b>	<b>638</b>

## FINANCIAL RATIOS FOR THE FIRST HALF-YEAR

%	2000	2001	2002	2003	2004
<b>Sydbank Group</b>					
Solvency and capital:					
Solvency ratio (total capital)	9.4	10.3	10.4	10.5	10.1
Core capital (Tier 1) ratio	7.4	7.3	7.6	7.9	8.1
Earnings:					
Pre-tax return on shareholders' equity for the half-year	10.3	11.0	9.2	11.4	9.5
Post-tax return on shareholders' equity for the half-year	7.1	8.7	6.4	7.6	6.6
Income/cost ratio (DKK)	1.38	1.42	1.33	1.47	1.42
Market risk:					
Interest rate risk	0.6	3.7	4.8	5.3	2.4
Foreign exchange position	9.9	10.2	2.9	15.7	5.3
Foreign exchange risk	0.1	0.1	0.1	0.1	0.0
Liquidity:					
Excess cover relative to statutory liquidity requirements	48.5	80.0	110.0	88.7	152.0
Large exposures:					
Total large exposures	94.2	87.9	95.2	99.9	79.1
Credit risk:					
Provisions ratio	2.9	2.8	2.9	2.8	2.7
Write-off and provisions ratios for the half-year	0.3	0.3	0.3	0.3	0.3
Loans and advances:					
Growth in loans and advances for the half-year	10.1	5.0	0.1	2.1	10.7
Loans and advances relative to shareholders' equity	11.4	10.9	10.7	9.6	10.0
<b>Sydbank A/S</b>					
Solvency and capital:					
Solvency ratio (total capital)	9.3	10.2	10.3	10.5	10.1
Core capital (Tier 1) ratio	7.4	7.3	7.6	7.9	8.1
Earnings:					
Pre-tax return on shareholders' equity	10.3	11.0	9.2	11.4	9.5
Post-tax return on shareholders' equity for the half-year	7.1	8.7	6.4	7.6	6.6
Income/cost ratio (DKK)	1.39	1.43	1.34	1.49	1.43
Market risk:					
Interest rate risk	0.6	3.7	4.8	5.3	2.4
Foreign exchange position	10.0	9.9	3.1	15.4	5.3
Foreign exchange risk	0.1	0.1	0.1	0.1	0.0
Liquidity:					
Loans and advances and provisions relative to deposits	122.7	126.8	118.3	115.2	109.4
Excess cover relative to statutory liquidity requirements	48.0	79.4	109.7	88.9	151.9
Large exposures:					
Total large exposures	94.2	87.9	95.2	99.9	79.1
Credit risk:					
Provisions ratio	2.8	2.7	2.8	2.8	2.7
Write-off and provisions ratios for the half-year	0.3	0.3	0.3	0.3	0.3
Loans and advances:					
Growth in loans and advances for the half-year	9.8	5.2	(0.1)	2.0	10.5
Loans and advances relative to shareholders' equity	11.5	10.9	10.7	9.6	10.0
Return per share:					
Pre-tax profit for the half-year (DKK)	37.4	47.5	41.5	60.5	56.5
Post-tax profit for the half-year (DKK)	26.0	37.5	28.9	40.1	39.2
Book value (DKK)	380	451	466	549	607
Share price/book value	0.70	0.97	1.05	1.25	1.48

## NOTES

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	Sydbank Group		Sydbank A/S	
DKKm	2003	2004	2003	2004
<b>Note 1</b>				
<b>Shareholders' equity (Tier 1):</b>				
Changes in capital:				
Shareholders' equity (Tier 1) at 1 January	3,577	4,331	3,577	4,331
Revaluation of unlisted securities to fair value	237	-	237	-
<b>Adjusted shareholders' equity (Tier 1) at 1 January</b>	<b>3,814</b>	<b>4,331</b>	<b>3,814</b>	<b>4,331</b>
Capital reduction	-	(222)	-	(222)
Post-tax profit year-to-date	301	289	301	289
<b>Total shareholders' equity (Tier 1)</b>	<b>4,115</b>	<b>4,398</b>	<b>4,115</b>	<b>4,398</b>

Share capital consists of 7,250,000 shares at a nominal value of DKK 100.

### Note 2

#### Large shareholders:

The following shareholders have announced that they each own more than 5% of Sydbank's share capital:  
Nykredit as well as the investor groups, Fidelity and Silchester.

### Note 3

#### Solvency:

Composition of capital and weighted items:

Core capital (Tier 1) after deductions	3,744	3,881	3,744	3,881
Capital base (Tiers 1+2) after deductions	4,430	4,520	4,430	4,520
Weighted items outside the trading portfolio	40,469	43,773	40,474	43,783
Weighted items with market risk	6,859	4,014	6,856	4,013
<b>Total weighted items</b>	<b>47,328</b>	<b>47,787</b>	<b>47,330</b>	<b>47,796</b>
Solvency ratio (total capital) (%)	10.5	10.1	10.5	10.1
Core capital (Tier 1) ratio (%)	7.9	8.1	7.9	8.1

## NOTES

DKKm	Sydbank Group		Sydbank A/S	
	2003	2004	2003	2004
<b>Note 4</b>				
<b>Credit risks:</b>				
Provisions:				
Provisions at 1 January	1,372	1,439	1,358	1,419
Of which provisions written off during the half-year	69	67	68	67
Net new provisions for the half-year	96	153	93	151
Provisions at 30 June	1,399	1,525	1,383	1,503
Of which A-provisions	1,287	1,421	1,273	1,402
Of which B-provisions	112	104	110	101
Loans and advances and guarantees:				
Ordinary loans and advances	34,659	37,507	34,810	37,616
Reverse transactions	4,706	6,314	4,706	6,314
Guarantees	9,063	10,182	9,080	10,192
Provisions	1,399	1,525	1,383	1,503
Loans and advances, guarantees and provisions	49,827	55,528	49,979	55,625
Provisions ratio:				
As % of ordinary loans and advances, guarantees and provisions				
A-provisions	2.9	2.9	2.8	2.8
B-provisions	0.2	0.2	0.3	0.2
Total provisions	3.1	3.1	3.1	3.0
As % of loans and advances, guarantees and provisions:				
A-provisions	2.6	2.5	2.5	2.5
B-provisions	0.2	0.2	0.3	0.2
Total provisions	2.8	2.7	2.8	2.7
Provisions for bad and doubtful debts:				
Net new provisions for the half-year	96	153	93	151
Directly written off without previous provisions	74	12	73	12
Recovered from debt previously written off	21	17	21	16
Provisions for bad and doubtful debts	149	148	145	147
Non-performing ordinary loans and advances:				
Non-performing ordinary loans and advances	166	148	149	141
As % of ordinary loans and advances, guarantees and provisions	0.4	0.3	0.3	0.3
Provisions against non-performing ordinary loans and advances	84	76	81	69
As % of non-performing ordinary loans and advances	50.4	51.7	54.2	48.9

## NOTES

DKKm	Sydbank Group		Sydbank A/S	
	2003	2004	2003	2004
<b>Note 5</b>				
<b>Interest income/forward premium from:</b>				
Amounts owed by credit institutions and central banks	68	69	68	69
Loans and advances	1,013	922	998	906
Bonds	395	307	395	307
Total derivatives	49	31	49	31
comprising:				
Foreign exchange contracts	63	73	63	73
Interest rate contracts	(14)	(42)	(14)	(42)
Other	5	3	5	2
<b>Total</b>	<b>1,530</b>	<b>1,332</b>	<b>1,515</b>	<b>1,315</b>
Of which income from genuine purchase and resale transactions stated under:				
Amounts owed by credit institutions and central banks	21	19	21	19
Loans and advances	65	59	65	59
<b>Note 6</b>				
<b>Interest expense to:</b>				
Credit institutions and central banks	171	116	171	117
Deposits	421	354	421	353
Bonds issued	28	22	28	22
Subordinated capital (Tier 2)	29	21	29	21
Other	4	0	2	0
<b>Total</b>	<b>653</b>	<b>513</b>	<b>651</b>	<b>513</b>
Of which interest expense to genuine sale and repurchase transactions stated under:				
Amounts owed to credit institutions and central banks	33	24	33	24
Deposits	1	0	1	0

## NOTES

Sydbank Group DKKm	1H 2003			1H 2004		
	Average total assets Interest	Volume	%	Average total assets Interest	Volume	%
<b>Note 7</b>						
<b>Group interest margin:</b>						
Amounts owed by credit institutions and central banks	68	5,280	2.57	69	6,534	2.11
Ordinary loans and advances	949	32,575	5.82	864	34,491	5.01
Reverse repo loans and advances	65	4,680	2.77	59	5,387	2.20
Bonds	395	15,767	5.01	307	13,457	4.56
<b>Interest earning assets</b>	<b>1,477</b>	<b>58,302</b>	<b>5.06</b>	<b>1,299</b>	<b>59,869</b>	<b>4.34</b>
Amounts owed to credit institutions and central banks	171	16,535	2.07	116	16,054	1.45
Ordinary deposits	420	37,496	2.24	354	39,788	1.78
Repo deposits	1	43	2.96	0	19	2.12
Bonds issued	28	1,857	3.03	22	1,861	2.33
Subordinated capital (Tier 2)	29	1,466	3.93	21	1,264	3.29
<b>Interest bearing liabilities</b>	<b>649</b>	<b>57,397</b>	<b>2.26</b>	<b>513</b>	<b>58,986</b>	<b>1.74</b>
<b>Total interest margin</b>			<b>2.80</b>			<b>2.60</b>

Average balance sheet sums calculated on the basis of day-to-day averages. Adjusted for negative bond portfolios.

DKKm	Sydbank Group		Sydbank A/S	
	2003	2004	2003	2004
<b>Note 8</b>				
<b>Market value adjustments:</b>				
Bonds	90	(5)	90	(5)
Shares	131	130	131	130
Fixed rate loans and advances	(26)	(8)	(24)	(8)
Foreign exchange	23	80	23	80
Total derivatives	2	(1)	2	(1)
comprising:				
Foreign exchange contracts	(2)	(14)	(2)	(14)
Interest rate contracts	(1)	10	(1)	10
Equity contracts	5	3	5	3
Adjusted for pooled schemes	(75)	(59)	(75)	(59)
<b>Total</b>	<b>145</b>	<b>137</b>	<b>147</b>	<b>137</b>

### Adjusted for pooled schemes, market value adjustments total:

Bonds	39	7	39	7
Shares	75	70	75	70
Fixed rate loans and advances	(26)	(8)	(24)	(8)
Foreign exchange	55	69	55	69
Total derivatives	2	(1)	2	(1)
comprising:				
Foreign exchange contracts	(2)	(14)	(2)	(14)
Interest rate contracts	(1)	10	(1)	10
Equity contracts	5	3	5	3
<b>Total</b>	<b>145</b>	<b>137</b>	<b>147</b>	<b>137</b>

## NOTES

DKKm	Sydbank Group		Sydbank A/S	
	2003	2004	2003	2004
<b>Note 9</b>				
<b>Other operating income:</b>				
Net profit on property	13	14	7	7
Other operating income	1	3	1	3
<b>Total</b>	<b>14</b>	<b>17</b>	<b>8</b>	<b>10</b>
<b>Note 10</b>				
<b>Staff costs and administrative expenses:</b>				
Salaries and emoluments to:				
Executive Management	4	5	4	5
Board of Directors	1	1	1	1
Shareholders' Committee	1	1	1	1
<b>Total</b>	<b>6</b>	<b>7</b>	<b>6</b>	<b>7</b>
Staff costs:				
Wages and salaries	361	393	349	379
Pension costs	35	41	35	40
Social security costs	38	34	37	33
<b>Total</b>	<b>434</b>	<b>468</b>	<b>421</b>	<b>452</b>
Other administrative expenses:				
IT	145	153	143	148
Rent etc	70	66	68	65
Marketing etc	21	26	21	25
Other expenses	96	99	90	91
<b>Total</b>	<b>332</b>	<b>344</b>	<b>322</b>	<b>329</b>
<b>Total</b>	<b>772</b>	<b>819</b>	<b>749</b>	<b>788</b>
<b>Note 11</b>				
<b>Profit on holdings in associated and group undertakings:</b>				
Profit/(Loss) on interests in associated undertakings etc	(3)	(1)	(3)	(1)
Profit on shares in group undertakings	-	-	14	21
<b>Total</b>	<b>(3)</b>	<b>(1)</b>	<b>11</b>	<b>20</b>

## NOTES

DKKm	Sydbank Group		Sydbank A/S	
	2003	2004	2003	2004

### Note 12

#### Effective tax rate:

Current tax rate	30.0	30.0	30.0	30.0
Permanent differences	3.0	1.1	3.0	1.1
Adjustment of tax of previous years	0.7	(0.5)	0.7	(0.5)
<b>Effective tax rate</b>	<b>33.7</b>	<b>30.6</b>	<b>33.7</b>	<b>30.6</b>

### Note 13

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

Amounts owed at notice by central banks	899	49	899	49
Amounts owed by credit institutions	3,525	5,869	3,459	5,853
<b>Total</b>	<b>4,424</b>	<b>5,918</b>	<b>4,358</b>	<b>5,902</b>

### Note 14

#### Own holdings:

Nominal portfolio of own holdings	10	25	10	25
Nominal portfolio of own holdings as % of share capital	1.3	3.5	1.3	3.5

### Note 15

#### Other assets:

Positive market value of derivatives	2,876	1,590	2,876	1,590
Interest and commission receivable	420	301	420	301
Other assets	304	525	222	420
<b>Total</b>	<b>3,600</b>	<b>2,416</b>	<b>3,518</b>	<b>2,311</b>

### Note 16

#### Deposits:

On demand	19,133	21,757	19,133	21,709
At notice	3,294	3,696	3,294	3,696
Time deposits	5,884	8,684	5,884	8,684
Special categories of deposit	7,158	7,377	7,158	7,377
<b>Total</b>	<b>35,469</b>	<b>41,514</b>	<b>35,469</b>	<b>41,466</b>

## NOTES

DKKm	Sydbank Group		Sydbank A/S	
	2003	2004	2003	2004
<b>Note 17</b>				
<b>Other liabilities:</b>				
Item to set off negative bond portfolios in connection with repo reverse/reverse transactions	1,215	2,746	1,215	2,746
Negative market value of derivatives	2,575	1,450	2,575	1,450
Interest and commission payable	365	291	364	291
Other liabilities	1,614	1,654	1,549	1,617
<b>Total</b>	<b>5,769</b>	<b>6,141</b>	<b>5,703</b>	<b>6,104</b>

### Note 18

#### Provisions for obligations:

Provisions for pensions and similar obligations	1	1	1	1
Provisions for deferred tax	113	81	113	81
Provisions for losses in connection with legal actions	20	27	20	27
<b>Total</b>	<b>134</b>	<b>109</b>	<b>134</b>	<b>109</b>

### Note 19

#### Subordinated capital (Tier 2):

Interest rate (%)		Nominal (m)	Maturity				
Floating	Bond loan	EUR	40	11.09.12	297	297	297
Floating	Bond loan	EUR	15	16.01.09	111	111	111
4.00	Bond loan	DKK	200	Redeemed	200	-	200
Floating	Bond loan	EUR	50	28.02.08	372	372	372
Floating	Bond loan	EUR	50	08.05.09	372	372	372
Floating	Bond loan	GBP	10	17.04.08	107	111	107
<b>Total</b>					<b>1,459</b>	<b>1,263</b>	<b>1,459</b>

Subordinated capital (Tier 2) included in the computation of the solvency ratio (total capital)

	1,431	1,263	1,431	1,263
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### Note 20

#### Off-balance sheet items:

Guarantees, etc:				
Financial guarantees	8,118	9,069	8,135	9,079
Other guarantees	943	1,113	943	1,113
Acceptances and endorsements etc	2	-	2	-
<b>Total</b>	<b>9,063</b>	<b>10,182</b>	<b>9,080</b>	<b>10,192</b>
Other commitments:				
Irrevocable loan commitments	134	77	134	77
Other commitments	22	22	22	22
<b>Total</b>	<b>156</b>	<b>99</b>	<b>156</b>	<b>99</b>

## NOTES

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DKKm	Sydbank Group		Sydbank A/S	
	2003	2004	2003	2004

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### Note 21

#### This half-year:

After the expiry of the half-year, no matters of any significant impact on the financial position of the Sydbank Group have occurred.

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### Note 22

#### Contribution to the profit by foreign entities:

Total interest income, dividend income, fee and commission income, market value adjustments of securities and foreign exchange income and other operating income:

Germany	49	49	49	49
Switzerland	(4)	9	(5)	10

### Note 23

#### Genuine sale and repurchase transactions and genuine purchase and resale transactions:

Of the below asset items genuine purchase and resale transactions amount to:

Amounts owed by credit institutions and central banks	1,491	2,220	1,491	2,220
Loans and advances	4,706	6,314	4,706	6,314

Of the below liability items genuine sale and repurchase transactions amount to:

Amounts owed to credit institutions and central banks	4,586	2,073	4,586	2,073
Deposits	0	0	0	0

Assets sold as part of genuine sale and repurchase transactions

Bonds	4,500	2,038	4,500	2,038
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### Note 24

#### Security:

As at 30 June 2004 the Bank has deposited securities at a market value of DKK 3,843m with Danish and foreign stock exchanges and clearing centres etc in connection with margin and securities settlements.

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## NOTES

DKKm	Sydbank Group		Sydbank A/S	
	2003	2004	2003	2004

## Note 25

### No market value adjustment:

Sydbank adopts a cash flow model for managing interest rate risk on all positions other than Danish callable mortgage credit bonds.

This model requires daily updating of all the Bank's positions. These are distributed into different portfolios according to responsibility and product. One of these portfolios consists of the Bank's positions in fixed rate loans and advances, fixed rate deposits, and related hedging transactions.

To ensure interest rate risk management the model generates a synthetic cash flow to describe the Bank's risk positions in selected interest rate scenarios.

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.

#### Loans and advances:

Nominal amount	3,570	3,757	3,570	3,757
Purchase price	3,570	3,757	3,570	3,757
Book value, including interest	3,572	3,738	3,572	3,738
Market value	3,726	3,816	3,726	3,816

#### Deposits:

Nominal amount	155	642	155	642
Purchase price	155	642	155	642
Book value, including interest	157	642	157	642
Market value	159	642	159	642

#### Total fixed rate assets and liabilities (net):

Nominal value	3,415	3,115	3,415	3,115
Purchase price	3,415	3,115	3,415	3,115
Book value, including interest	3,415	3,096	3,415	3,096
Market value	3,567	3,174	3,567	3,174

The following derivatives hedge the above:

#### Forward rate agreement:

Notional amount	(434)	628	(434)	628
Book value, including interest	0	0	0	0
Market value	15	2	15	2

#### Swaps:

Notional amount	3,034	1,939	3,034	1,939
Book value, including interest	(39)	(33)	(39)	(33)
Market value	(202)	(113)	(202)	(113)

#### Total derivatives (net):

Notional amount	2,600	2,567	2,600	2,567
Book value, including interest	(39)	(33)	(39)	(33)
Market value	(187)	(111)	(187)	(111)