

Copenhagen Stock Exchange
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Dear Sirs

Quarterly Report – Q1 2005 of the Sydbank Group

Sydbank recorded a pre-tax profit of DKK 235m for the first three months of 2005, equal to a return of 22% p.a. on average shareholders' equity.

Core earnings improved by 27% – from DKK 172m in Q1 2004 to DKK 219m, ascribable to increased core income excluding trading income and reduced write-downs of loans and receivables. In addition, ordinary loans and advances grew by an annualized 22%.

In summary, performance and business developments are considered highly satisfactory.

Profit and loss account – Q1 (DKKm)	2004	2005
Core income excl trading income	474	478
Trading income	231	231
Total core income	705	709
Costs and depreciation	459	470
Write-downs of loans and receivables etc	74	20
Core earnings	172	219
Profit from investment portfolios	66	16
Profit before tax	238	235
Tax	74	72
Profit after tax	164	163

Executive Management

Peberlyk 4
PO Box 1038
DK-6200 Aabenraa

Tel +45 74 36 36 36
Fax +45 74 36 35 36
direktionen@sydbank.dk
www.sydbank.com
SWIFT SYBKDK22

Sydbank A/S
CVRNo DK 12626509, Aabenraa

Direct tel +45 74 36 20 02
direktionen@sydbank.dk

Profit and loss account

Core income excluding trading income has risen by approx DKK 25m compared with the first three months of 2004. The profit and loss account records an improvement of DKK 4m to DKK 478m. However the amounts are not directly comparable as the measurement of loans and receivables changed as of 31 December 2004 in connection with the transition to IFRS. Adjusted thereof, the rise from Q1 2004 to Q1 2005 can be estimated at DKK 25m as stated above, ie equal to 5%.

Trading income is unchanged at DKK 231m, somewhat above the budget. Compared with Q1 2004, customer trading activities have risen in relation to foreign exchange and declined as regards bonds.

Total core income amounts to DKK 709m.

Costs and depreciation recorded DKK 470m – an increase of just over 2%. Costs include expenses of DKK 14m (Q1 2004: DKK 17m) in connection with the Group's employee share scheme. At the end of Q1 2005, staff members numbered 2,084 compared with 1,991 at the same time in 2004. The increased number of employees is fostered by the Bank's extremely satisfactory performance.

Write-downs of loans and receivables etc recorded DKK 20m in Q1 2005. The amount is not comparable with the write-downs in Q1 2004 as the change of measurement did not take effect until 31 December 2004. Adjusted thereof, the reduction equals just under DKK 35m from 2004 to 2005.

Total core earnings represent DKK 219m compared with DKK 172m a year ago and are directly comparable. The profit increase totals 27%.

Profit from investment portfolios amounts to DKK 16m for Q1 2005 (2004: DKK 66m).

The Group's pre-tax profit makes up DKK 235m. Less a calculated tax charge of DKK 72m, profit stands at DKK 163m. Book value represents DKK 62 per share in issue.

Balance sheet, capital and customers

Compared with 31 December 2004, the Group's total assets constitute an unchanged DKK 78m.

In Q1 2005 ordinary loans and advances increased by DKK 2.0bn to DKK 43.8bn. The rise constitutes DKK 8.0bn or 22% compared with Q1 2004.

Deposits and other debt makes up an unchanged DKK 38bn against year-end 2004. Compared with Q1 2004, deposits and other debt has risen by DKK 5.4bn, equal to 17%.

Guarantees etc went up by DKK 0.9bn to DKK 11.2bn in the first three months of 2005.

Subordinate loan capital of EUR 50m and GBP 10m was redeemed in Q1 and in April, respectively. On 4 April subordinate loan capital of EUR 100m was raised.

Shareholders' equity (Tier 1) has been reduced by DKK 183m since 1 January 2005 and constitutes DKK 4,248m as of 31 March 2005. The changes are ascribable to dividend distribution etc of net DKK 211m, purchase of own shares of DKK 135m and profit for the period of DKK 163m.

The Group's solvency (total capital) ratio stands at 9.7% (year-end 2004: 11.5%), core capital (Tier 1) ratio amounts to 8.7% (year-end 2004: 9.5%), and core capital (Tier 1) ratio (excl hybrid core capital) 7.6% (year-end 2004: 8.4%). Incorporating profit for the period, solvency (total capital) ratio is 10.0%, core capital (Tier 1) ratio 9.0% and core capital (Tier 1) ratio (excl hybrid core capital) 8.0%.

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

Outlook for 2005

Performance and customer development was satisfactory in the first three months of 2005. As a consequence of continued high core income, including trading income in particular, Group core earnings for Q1 2005 outperform the expectations for the year which were published in the 2004 Annual Report. Therefore the core earnings outlook for 2005 is upgraded by DKK 100m to DKK 700-800m. All other expectations remain unchanged.

Yours faithfully



Carsten Andersen
Group Chief Executive

GROUP FINANCIAL HIGHLIGHTS

	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Q1 2005	Full year 2004
Profit and loss account highlights (DKKm)						
Net interest and fee income	627	638	585	681	642	2,531
Market value adjustments	141	(34)	62	158	82	327
Staff costs and administrative expenses	444	392	395	407	454	1,638
Write-downs of loans and receivables etc	75	74	51	25	20	225
Profit after tax	164	88	124	339	163	715
Balance sheet highlights (DKKbn)						
Loans and receivables	41.7	43.8	43.6	47.5	50.0	47.5
Deposits and other debt	32.5	37.1	36.5	38.4	37.9	38.4
Subordinated capital (Tier 2)	1.3	1.3	1.3	1.8	1.4	1.8
Shareholders' equity (Tier 1)	4.0	4.1	4.1	4.4	4.2	4.4
Total assets	69.7	69.0	69.4	78.4	77.5	78.4
Financial ratios and key figures per share (DKK per share of DK 10)						
Profit after tax	2.3	1.3	1.8	4.9	2.4	10.2
Share price, end of period	87.0	89.5	93.9	107.8	116.0	107.8
Book value	57.0	58.1	59.5	63.6	62.0	63.6
Share price/book value	1.53	1.54	1.58	1.69	1.87	1.69
Average number of shares in issue (millions)	71.7	69.9	70.0	69.5	69.1	70.3
Dividends	2.0	-	-	-	3.0	2.0
Other financial ratios and key figures						
Solvency (total capital) ratio *)	10.2	10.1	10.1	11.5	9.7	11.5
Core capital (Tier 1) ratio *)	8.3	8.1	8.1	9.5	8.7	9.5
Pre-tax profit as % of avg shareholders' equity	5.9	3.1	4.7	8.9	5.4	21.9
Post-tax profit as % of avg shareholders' equity	4.0	2.2	3.0	7.9	3.7	16.7
Income/cost ratio (DKK)	1.44	1.26	1.41	1.82	1.48	1.48
Interest rate risk *)	5.3	2.4	3.2	3.4	2.4	3.4
Foreign exchange position *)	4.0	5.3	3.7	1.5	5.4	1.5
Foreign exchange risk *)	0.1	0.0	0.0	0.0	0.0	0.0
Loans and receivables relative to deposits	1.3	1.2	1.2	1.2	1.3	1.2
Loans and receivables relative to shareholders' equity	10.4	10.8	10.6	10.7	11.8	10.7
Growth in loans and receivables for the period	5.5	5.0	(0.4)	9.0	5.1	20.1
Excess cover relative to statutory liquidity requirements *)	140.8	152.0	115.0	114.2	80.6	114.2
Total large exposures *)	102.9	79.1	74.2	61.5	71.9	61.5
Accumulated write-down ratio	2.8	2.7	2.8	2.6	2.4	2.6
Write-down ratio for the period	0.14	0.13	0.09	0.04	0.03	0.38
Share of amounts owed to the Bank at reduced interest (%)	0.3	0.3	0.3	0.3	0.3	0.3
Number of full-time staff, end of period	1,991	2,024	2,051	2,075	2,084	2,075

*) Financial ratios and key figures for 2004 have not been adjusted

Profit and loss account and balance sheet

DKKm	Q1 2004	Q1 2005	Full year 2004
Profit and loss account			
Interest income	627	666	2,516
Interest expense	212	252	854
Net interest income	415	414	1,662
Dividends from shares	6	4	37
Fee and commission income	226	252	927
Fee and commission expense	20	28	95
Net interest and fee income	627	642	2,531
Market value adjustments	141	82	326
Other operating income	6	4	27
Staff costs and administrative expenses	444	454	1,638
Depreciation and write-downs of tangible assets	17	18	85
Other operating expenses	0	0	0
Write-downs of loans and receivables etc	75	20	225
Profit on holdings in associated undertakings	0	(1)	0
Profit before tax	238	235	936
Tax	74	72	221
Profit after tax	164	163	715
Balance sheet, end of period			
Assets			
Cash and balances on demand at central banks	491	679	594
Amounts owed by credit institutions and central banks	5,474	7,119	9,294
Loans and receivables at amortized cost	41,752	49,979	47,544
Bonds at fair value	12,921	9,812	10,410
Shares etc	803	777	844
Interests in associated undertakings etc	185	146	147
Assets – pooled schemes	4,487	4,924	4,671
Total land and property	768	736	736
– investment property	84	47	47
– owner-occupied property	684	689	689
Other tangible assets	81	86	90
Current tax assets	395	146	161
Non-current assets held for sale	7	8	8
Other assets	2,330	3,008	3,856
Prepayments	40	40	35
Total assets	69,734	77,460	78,390
Shareholders' equity and liabilities			
Amounts owed to credit institutions and central banks	20,023	19,438	19,076
Deposits and other debt	32,540	37,939	38,434
Deposits with pooled schemes	4,561	5,026	4,857
Bonds issued	1,861	1,858	1,860
Current tax liabilities	6	4	3
Other shareholders' equity and liabilities	5,351	7,369	7,788
Deferred income	44	67	58
Total debt	64,386	71,701	72,076
Provisions for liabilities	75	62	67
Subordinated capital (Tier 2)	1,266	1,449	1,816
Shareholders' equity (Tier 1)	4,007	4,248	4,431
Total shareholders' equity and liabilities	69,734	77,460	78,390

Notes

Accounting policies:

This unaudited Q1 Report has been prepared in accordance with IAS 34 "Interim Financial Reporting".

As of 1 January 2005 the accounting policies have been changed to comply with the International Financial Reporting Standards, IFRS. The date of transition is 1 January 2004. The accounting policies of this interim statement are consistent with the accounting policies of the 2004 Annual Report except for the changes which are presented in the section "Transition to IFRS in 2005" in the 2004 Annual Report, which describes the changes between the formerly applied Danish accounting standards and IFRS. However the measurement of loans and receivables at amortized cost, IAS 39, will take place as of 1 January 2005 for the first time. Measurement as of 1 January 2005 has been incorporated in the balance sheet as of 31 December 2004. As a consequence the reporting before and after the changes will not be fully comparable. This interim statement applies reporting and terminology in compliance with IFRS. In addition the methods of measurement are in accordance with the Danish executive order on financial reporting of credit institutions and brokerage firms etc.

The financial ratios have been prepared in accordance with "Recommendations & Financial Ratios 2005" published by the Danish Society of Financial Analysts.

No historical adjustment of financial ratios related to capital adequacy.

	Q1	Q1	Full year
DKKm	2004	2005	2004

Shareholders' equity (Tier 1):

Changes in capital:

Shareholders' equity (Tier 1) at 1 January	4,331	4,431	4,331
IFRS impact, 1 January	(144)	-	(144)
Adjusted shareholders' equity (Tier 1) at 1 January	4,187	4,431	4,187
Profit for the period	164	163	715
Net purchase of own shares during the period	(185)	(135)	(240)
Tax on net purchase of own shares	(7)	-	(14)
Allocated for other purposes	(5)	(5)	(5)
Dividend concerning shares in issue	(147)	(206)	(147)
IFRS impact, end of quarter (IAS 39)	-	-	(65)
Total shareholders' equity (Tier 1)	4,007	4,248	4,431

Share capital comprises 70,000,000 shares at a nominal value of DKK 10 or a total of DKK 700m.

Solvency (excl profit for the period):

Composition of capital and weighted items:

Core capital (Tier 1) after deductions	3,914	4,645	4,948
Capital base (Tiers 1+2) after deductions	4,844	5,182	6,002
Weighted items outside the trading portfolio	41,825	48,107	47,070
Weighted items with market risk etc	5,511	5,333	5,162
Total weighted items	47,336	53,440	52,232
Solvency (total capital) ratio	10.2	9.7	11.5
Core capital (Tier 1) ratio	8.3	8.7	9.5
Core capital (Tier 1) ratio (excl hybrid core capital)	8.3	7.6	8.4

Notes

DKKm	Q1 2004	Q1 2005	Full year 2004
Loans and receivables at amortized cost:			
Ordinary loans and advances	35,817	43,807	41,836
Reverse repo loans and advances	5,935	6,172	5,708
Total loans and receivables at amortized cost	41,752	49,979	47,544
Provisions for liabilities:			
Provisions for pension and similar obligations	1	1	1
Provisions for deferred tax	47	17	17
Provisions for losses on guarantees	0	22	27
Other provisions for liabilities	27	22	22
Total provisions for liabilities	75	62	67
Contingent liabilities:			
Guarantees etc	9,443	11,225	10,339
Other contingent liabilities	99	303	120
Total contingent liabilities	9,542	11,528	10,459
Accumulated write-downs and provisions:			
Provisions	1,485	-	-
Accumulated write-downs	-	1,290	1,416
Provisions for unused credit facilities	-	189	89
Provisions for guarantees	-	22	27
Total accumulated write-downs and provisions	1,485	1,501	1,532
Core income excl trading income:			
Interest margins etc	363	360	1,491
Mortgage credit	32	41	152
Payment services	16	20	80
Remortgaging and loan fees	25	22	102
Other commission	32	31	107
Other operating income	6	4	27
Total	474	478	1,959
Trading income:			
Bonds	68	43	133
Shares	58	60	179
Foreign exchange	22	56	97
Money market	26	11	60
Asset management	57	61	243
Total	231	231	712

Notes

Impact of IFRS on interim statements in 2004

The reconciling items of the tables refer to the explanation of the accounting policy changes in the section "Transition to IFRS in 2005" of the 2004 Annual Report.

DKKm	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Full year 2004
Profit – former policy	203	86	120	355	764
a) Return on own shares	(26)	(7)	(8)	(8)	(49)
c) Adjustment of employee benefits	(29)	10	14	(15)	(20)
f) Adjustment of tax	16	(1)	(2)	7	20
Profit – IFRS	164	88	124	339	715

DKKm	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Year-end 2003
Shareholders' equity – former policy	4,312	4,398	4,288	4,427	4,331
a) Value of own shares (excl pooled schemes)	(190)	(224)	(69)	(37)	(204)
b) No provisions for dividends and other distributions	-	-	-	215	155
c) Adjustment of employee benefits	(123)	(114)	(100)	(114)	(94)
d) Recognition of fees in effective interest	-	-	-	(109)	-
d) Change from provisions to write-downs of loans and receivables	-	-	-	13	-
d) New measurement and hedge rules of fixed rate loans	-	-	-	2	-
f) Adjustment of deferred tax	34	31	27	60	25
g) Adjustment of property to revalued amount/fair value	(26)	(26)	(26)	(26)	(26)
Shareholders' equity – IFRS	4,007	4,065	4,120	4,431	4,187