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## **Stock Exchange Announcement No 16/02**

Date  
19 August 2002

Dear Sirs

### **The Sydbank Group 2002 Interim Report**

#### **Satisfactory pre-tax profit of DKK 311m**

Sydbank recorded a satisfactory pre-tax profit of DKK 311m for the first six months of 2002, equal to a 19% return p.a. on shareholders' equity.

The merger with Egnsbank Fyn as at 1 January 2002 has been accounted for as an acquisition. Comparative figures for previous years have not been restated.

The profit and loss account is characterised by:

- 4% increase in core income excl trading income to DKK 929m
- 2% decline in trading income to DKK 240m
- 7% growth in costs
- 16% rise in provisions for bad and doubtful debts to DKK 149m
- DKK 76m profit from investment portfolios

<b>Profit and loss account – 1 January to 30 June (DKKm)</b>	2001	2002
Core income excl trading income	897	929
Trading income	245	240
<b>Total core income</b>	<b>1,142</b>	<b>1,169</b>
Costs and depreciation	731	785
Provisions for bad and doubtful debts	129	149
<b>Core earnings</b>	<b>282</b>	<b>235</b>
Profit from investment portfolios	82	76
<b>Pre-tax profit</b>	<b>364</b>	<b>311</b>
Tax	76	95
<b>Post-tax profit</b>	<b>288</b>	<b>216</b>

#### **Executive Management**

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With a tax charge of DKK 95m the profit of DKK 216m is equal to a return of 13% p.a. on average shareholders' equity.

Group balance sheet highlights include:

- DKK 0.5bn decline in ordinary loans and advances to DKK 32.5bn
- 9% growth in deposits to DKK 32.8bn

The half-year profit lives up to the expectations published in the latest annual report.

### Core income

Despite a decline in ordinary loans and advances, a stabilised to slightly increasing interest margin has ensured an unchanged to marginally rising core income excl trading income. Part of the DKK 32m rise to DKK 929m is ascribable to the acquisition of Egnsbank Fyn.

Trading income of DKK 240m for the first six months of 2002 matches the level of a year ago.

Core income totals DKK 1,169m compared with DKK 1,142m for the first half of 2001.

### Costs and depreciation

Costs and depreciation in connection with core income rose by DKK 54m or 7% to DKK 785m. Almost half of the growth in costs is related to the acquisition of Egnsbank Fyn. At 30 June 2002 staff members numbered 1,958, equal to an increase of 58 compared with the first half of 2001 and identical to the influx from Egnsbank Fyn. Since mid-2001, 5 branches have been closed and new branches have opened in Silkeborg and Skanderborg. Following the acquisition of Egnsbank Fyn's 5 branches, the number of branches totals 120.

### Provisions for bad and doubtful debts

The charge for loans and advances etc has been raised to DKK 149m (2001: DKK 129m). For the half-year, provisions total 0.6% p.a. of ordinary loans/advances, guarantees and provisions.

Provisions etc at 30 June	2001		2002	
	DKKm	%*	DKKm	%*
Total provisions	1,244	3.0	1,352	3.2
A-provisions	1,133	2.8	1,227	2.9
Non-performing ordinary loans and advances	192	0.5	178	0.4

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

The provisions made in the first half of 2002 have consolidated the Bank's total provisions – absolutely and relatively. Total provisions constitute 760% (2001:648%) of non-performing ordinary loans and advances.

### Core earnings

Core earnings represent DKK 235m for the first half of 2002 compared with DKK 282m a year ago.

### Subsidiary undertakings

The subsidiary undertakings, DMK-Holding and SBK-Invest, contributed a pre-tax profit of DKK 22m (2001: DKK 20m) to total core income.

### Profit from investment portfolios

Profit from investment portfolios amounts to DKK 76m for the first half-year of 2002 (2001: DKK 82m) including return on own shares of DKK 14m.

Expressed as expected loss/profit at an interest rate change of 1 percentage point, total interest rate sensitivity represented DKK 156m as at 30 June 2002. Standing at slightly above DKK 100m, the exposure of Sydbank's investment portfolio of shares is modest. Foreign exchange risks continue to be limited.

### Balance sheet and capital

At 30 June 2002 the Group's total assets amount to DKK 70.1bn (2001: DKK 59.2bn).

Ordinary loans and advances account for DKK 32.5bn, equal to a decrease of DKK 0.5bn compared with a year ago. Reverse repo loans and advances make up DKK 4.9bn (2001: DKK 3.8bn).

<b>Balance sheet as at 30 June (DKKbn)</b>	2001	2002
<b>Assets</b>		
Amounts owed by credit institutions etc	3.4	8.1
Ordinary loans and advances	33.0	32.5
Reverse repo loans and advances	3.8	4.9
Securities and holdings in associated and group undertakings	13.0	17.8
Other assets	6.0	6.8
<b>Total assets</b>	<b>59.2</b>	<b>70.1</b>
<b>Liabilities</b>		
Amounts owed to credit institutions	17.4	20.9
Deposits	30.1	32.8
Bonds issued	0.0	1.9
Other liabilities	6.9	9.8
Subordinated capital (tier 2)	1.4	1.2
Shareholders' equity (tier 1)	3.4	3.5
<b>Total liabilities</b>	<b>59.2</b>	<b>70.1</b>

Securities portfolios total DKK 17.8bn (2001: DKK 13.0bn) consisting of pension pool securities portfolios of DKK 3.8bn and the Bank's investment and trading portfolios of DKK 14bn (shares and holdings DKK 0.6bn; bonds DKK 13.4bn).

Group deposits rose by 9% to DKK 32.8bn.

Guarantees, primarily financial guarantees, grew by 20% to DKK 8.3bn.

In connection with the merger with Egnsbank Fyn as at 1 January 2002, goodwill etc amounting to DKK 157m was paid, which lowered shareholders' equity (tier 1) of DKK 3,435m at 31 December 2001 to DKK 3,278m. Including post-tax profit for the half year, shareholders' equity (tier 1) represents DKK 3,494m at 30 June 2002.

After repayment of DKK 200m in the second half of 2001, supplementary capital (tier 2) totalled DKK 1,207m at 30 June 2002. A further DKK 150m will be repaid in October 2002.

The Group's solvency ratio (total capital) stands at 10.4% (2001: 10.3%) and the core capital (tier 1) ratio at 7.6% (2001: 7.3%). If half-year profit is included, solvency and core capital ratios amount to 10.9% and 8.1% respectively.

#### **Other elements**

The influx of customers – retail and corporate – is satisfactory. In the first six months of 2002 shareholders grew by net 7,000 bringing the total to 127,000.

#### **Outlook for 2002 as a whole**

Sydbank expects to generate core earnings in the region of DKK 450m to DKK 550m, trading income being the most difficult figure to project. Pre-tax profit will depend on investment portfolio earnings. Sydbank expects to maintain the satisfactory earnings level.

Yours faithfully



Kresten Philipsen  
Board Chairman



Carsten Andersen  
Chief Executive

Below follows Sydbank's financial highlights and notes to the 2002 Interim Report.

## GROUP FINANCIAL HIGHLIGHTS

	1st half	2nd half	1st half	2nd half	1st half	Full year
	2000	2000	2001	2001	2002	2001
<b>Profit and loss account (DKK m)</b>						
Core income excl trading income	800	897	897	898	929	1,795
Trading income	295	244	245	206	240	451
<b>Total core income</b>	<b>1,095</b>	<b>1,141</b>	<b>1,142</b>	<b>1,104</b>	<b>1,169</b>	<b>2,246</b>
Costs and depreciation	675	710	731	744	785	1,474
Provisions for bad and doubtful debts	110	120	129	131	149	260
<b>Core earnings</b>	<b>310</b>	<b>311</b>	<b>282</b>	<b>229</b>	<b>235</b>	<b>512</b>
Profit/(Loss) from investment portfolios	(9)	63	82	18	76	99
<b>Pre-tax profit</b>	<b>301</b>	<b>374</b>	<b>364</b>	<b>247</b>	<b>311</b>	<b>611</b>
Tax	92	14	76	80	95	156
<b>Post-tax profit</b>	<b>209</b>	<b>360</b>	<b>288</b>	<b>167</b>	<b>216</b>	<b>455</b>
<b>Balance sheet, end of half-year (DKK bn)</b>						
Ordinary loans and advances	29.9	31.5	33.0	32.7	32.5	32.7
Reverse repo loans and advances	4.2	3.5	3.8	4.6	4.9	4.6
Deposits	28.8	29.0	30.1	31.6	32.8	31.6
Bonds issued	-	-	-	1.9	1.9	1.9
Subordinated capital (tier 2)	1.0	0.9	1.4	1.2	1.2	1.2
Shareholders' equity (tier 1)	3.0	3.2	3.4	3.4	3.5	3.4
Total assets	61.3	59.8	59.2	66.0	70.1	66.0
Guarantees etc	6.1	6.5	6.9	7.5	8.3	7.5
<b>Financial ratios and key figures</b>						
<b>The Sydbank share (DKK per share)</b>						
Pre-tax profit	37.4	47.6	47.5	32.9	41.5	79.6
Post-tax profit	26.0	45.9	37.5	22.4	28.9	59.3
Share price, end of half-year	264	310	437	430	490	430
Book value	380	410	451	458	466	458
Share price/book value	0.70	0.76	0.97	0.94	1.05	0.94
<b>Sydbank Group</b>						
Solvency ratio (total capital)	9.4	10.0	10.3	10.4	10.4	10.4
Core capital ratio (tier 1)	7.4	7.9	7.3	7.8	7.6	7.8
Pre-tax profit as % of average shareholders' equity p.a.	20.5	24.1	22.1	14.5	18.4	18.4
Post-tax profit as % of average shareholders' equity p.a.	14.2	23.2	17.4	9.8	12.8	13.7
Income/cost ratio (DKK)	1.38	1.45	1.42	1.28	1.33	1.35
Interest rate risk	0.6	4.4	3.7	4.2	4.8	4.2
Foreign exchange risk	0.1	0.1	0.1	0.1	0.1	0.1
Provisioning ratio	2.9	2.9	2.8	2.7	2.9	2.7
Write-off and provisioning ratio p.a. for the half-year	0.5	0.4	0.6	0.6	0.6	0.6
Full-time staff, end of half-year	1,906	1,916	1,900	1,897	1,958	1,897
<b>Rating</b>						
Moody's (long-term)	A2	A2	A2	A2	A2	A2
Moody's (short-term)	P-1	P-1	P-1	P-1	P-1	P-1
Moody's (financial strength)	C+	C+	C+	C+	C+	C+

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

DKKm	Sydbank Group		Sydbank A/S	
	2001	2002	2001	2002
Interest income	1,793	1,607	1,783	1,595
Interest expense	1,001	758	1,001	758
<b>Net interest income</b>	<b>792</b>	<b>849</b>	<b>782</b>	<b>837</b>
Dividends from shares	45	36	45	36
Fee and commission income	307	339	288	320
Fee and commission expense	41	36	39	35
<b>Net interest and fee income</b>	<b>1,103</b>	<b>1,188</b>	<b>1,076</b>	<b>1,158</b>
Market value adjustments of securities and foreign exchange income	120	40	120	41
Other operating income	4	19	(2)	13
Staff costs and administrative expenses	696	747	686	735
Depreciation and write-offs of tangible assets	37	41	36	39
Other operating expenses	1	0	0	1
Provisions for bad and doubtful debts	129	149	126	145
Profit on holdings in associated and group undertakings	0	1	18	19
<b>Pre-tax profit on ordinary activities</b>	<b>364</b>	<b>311</b>	<b>364</b>	<b>311</b>
Tax	76	95	76	95
<b>Post-tax profit</b>	<b>288</b>	<b>216</b>	<b>288</b>	<b>216</b>

## BALANCE SHEET AS AT 30 JUNE

DKKm	Note	Sydbank Group		Sydbank A/S	
		2001	2002	2001	2002
<b>Assets</b>					
Cash and balances on demand at central banks		535	498	534	498
Amounts owed by credit institutions and central banks		2,894	7,587	2,894	7,587
Loans and advances		36,771	37,369	37,017	37,544
Bonds		11,046	16,160	11,046	16,160
Shares etc		1,666	1,418	1,666	1,417
Interests in associated undertakings etc		277	195	277	195
Shares in group undertakings		-	-	64	70
Tangible assets		977	967	698	717
Own shares		51	37	51	37
Other assets		4,930	5,781	4,828	5,692
Prepayments and accrued income		41	43	41	42
<b>Total assets</b>		<b>59,188</b>	<b>70,055</b>	<b>59,116</b>	<b>69,959</b>
<b>Liabilities</b>					
Amounts owed to credit institutions and central banks		17,359	20,882	17,359	20,881
Deposits		30,106	32,816	30,103	32,813
Bonds issued		-	1,858	-	1,858
Other liabilities		6,807	9,674	6,774	9,622
Accruals and deferred income		36	40	0	0
Provisions for obligations		81	84	81	84
Subordinated capital (tier 2)		1,418	1,207	1,418	1,207
Shareholders' equity (tier 1):	1				
Share capital		750	750	750	750
Reserves		378	363	378	363
Brought forward from previous years		1,965	2,165	1,965	2,165
Post-tax profit year-to-date		288	216	288	216
Total shareholders' equity (tier 1)		3,381	3,494	3,381	3,494
<b>Total liabilities</b>		<b>59,188</b>	<b>70,055</b>	<b>59,116</b>	<b>69,959</b>
<b>Off-balance sheet items</b>					
Guarantees etc		6,942	8,348	7,209	8,558
Other commitments		414	176	413	176
<b>Total off-balance sheet items</b>		<b>7,356</b>	<b>8,524</b>	<b>7,622</b>	<b>8,734</b>

## ACCOUNTING POLICIES

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Sydbank's Interim Report has been prepared in compliance with the Danish Banking Act, the Executive Order on Bank Accounts and the accounting standards issued by the Danish Financial Supervisory Authority. Moreover, the Report has been prepared in compliance with the Copenhagen Stock Exchange guidelines for disclosure of information by issuers of listed securities including Danish accounting standards to the extent that Danish legislation does not provide otherwise.

The merger with Egnsbank Fyn as at 1 January 2002 has been accounted for as an acquisition. Comparative figures for previous years have not been restated. Goodwill in connection with the acquisition has been written off directly against shareholders' equity (tier 1).

## GROUP STRUCTURE

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DKKm	Share capital	Equity*	Ownership share (%)
<b>Sydbank A/S</b>	750	3,494	
<b>Consolidated subsidiary undertakings</b>			
DMK-Holding A/S	11	26	100
SBK-Invest A/S	10	14	100
Ejendomsselskabet af 1. juni 1986 A/S	3	16	100
Investerings-Compagniet Odin A/S	1	13	100

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

\* Including profit for the period

## SIX QUARTER SUMMARY

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	Q1 2001	Q2 2001	Q3 2001	Q4 2001	Q1 2002	Q2 2002
<b>Profit and loss account (DKKm)</b>						
Core income excl trading income	441	456	453	445	459	470
Trading income	141	104	81	125	121	119
<b>Total core income</b>	<b>582</b>	<b>560</b>	<b>534</b>	<b>570</b>	<b>580</b>	<b>589</b>
Costs and depreciation	370	361	360	384	395	390
Provisions for bad and doubtful debts	64	65	66	65	75	74
<b>Core earnings</b>	<b>148</b>	<b>134</b>	<b>108</b>	<b>121</b>	<b>110</b>	<b>125</b>
Profit from investment portfolios	60	22	3	15	61	15
<b>Pre-tax profit</b>	<b>208</b>	<b>156</b>	<b>111</b>	<b>136</b>	<b>171</b>	<b>140</b>
Tax	58	18	26	54	54	41
<b>Post-tax profit</b>	<b>150</b>	<b>138</b>	<b>85</b>	<b>82</b>	<b>117</b>	<b>99</b>

## ITEMIZED GROUP FINANCIAL HIGHLIGHTS

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DKKm	2001	2002
<b>Core income excl trading income</b>		
Interest margin etc	763	759
Mortgage credit	23	33
Payment services	25	29
Remortgaging and loan fees	40	50
Other commission	42	39
Other operating income	4	19
<b>Total</b>	<b>897</b>	<b>929</b>
<b>Trading income</b>		
Bonds	63	59
Shares	65	52
Foreign exchange	18	21
Money market	25	25
Asset management	74	83
<b>Total</b>	<b>245</b>	<b>240</b>

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## FINANCIAL RATIOS FOR THE FIRST HALF-YEAR

%	1998	1999	2000	2001	2002
<b>Sydbank Group</b>					
Solvency and capital:					
Solvency ratio (total capital)	10.0	10.3	9.4	10.3	10.4
Core capital ratio (tier 1)	7.7	8.0	7.4	7.3	7.6
Earnings:					
Pre-tax return on shareholders' equity	8.4	9.2	10.3	11.0	9.2
Post-tax return on shareholders' equity	8.4	6.4	7.1	8.7	6.4
Income/cost ratio (DKK)	1.31	1.32	1.38	1.42	1.33
Market risk:					
Interest rate risk	5.6	3.1	0.6	3.7	4.8
Foreign exchange position	12.9	19.1	9.9	10.2	2.9
Foreign exchange risk	0.3	0.1	0.1	0.1	0.1
Liquidity:					
Excess cover relative to statutory liquidity requirements	138.8	121.6	48.5	80.0	110.0
Large exposures:					
Total large exposures as % of capital base (tiers 1+2)	93.6	83.3	94.2	87.9	95.2
Credit risk:					
Provisioning ratio	3.5	3.3	2.9	2.8	2.9
Write-off and provisioning ratio	0.3	0.4	0.3	0.3	0.3
Loans and advances:					
Growth in loans and advances	5.9	4.9	10.1	5.0	0.1
Loans and advances relative to shareholders' equity	9.3	9.5	11.4	10.9	10.7
<b>Sydbank A/S</b>					
Solvency and capital:					
Solvency ratio (total capital)	9.9	10.1	9.3	10.2	10.3
Core capital ratio (tier 1)	7.7	7.8	7.4	7.3	7.6
Earnings:					
Pre-tax return on shareholders' equity	8.4	9.2	10.3	11.0	9.2
Post-tax return on shareholders' equity	8.4	6.4	7.1	8.7	6.4
Income/cost ratio (DKK)	1.31	1.33	1.39	1.43	1.34
Market risk:					
Interest rate risk	5.6	3.0	0.6	3.7	4.8
Foreign exchange position	12.9	19.2	10.0	9.9	3.1
Foreign exchange risk	0.3	0.1	0.1	0.1	0.1
Liquidity:					
Loans/advances and provisions relative to deposits	100.8	102.7	122.7	126.8	118.3
Excess cover relative to statutory liquidity requirements	137.4	119.4	48.0	79.4	109.7
Large exposures:					
Total large exposures as % of capital base (tiers 1+2)	93.6	83.3	94.2	87.9	95.2
Credit risk:					
Provisioning ratio	3.3	3.2	2.8	2.7	2.8
Write-off and provisioning ratio	0.3	0.4	0.3	0.3	0.3
Loans and advances:					
Growth in loans and advances	5.4	5.0	9.8	5.2	(0.1)
Loans and advances relative to shareholders' equity	9.4	9.7	11.5	10.9	10.7
Return per share:					
Pre-tax profit (DKK)	25.9	30.4	37.4	47.5	41.5
Post-tax profit (DKK)	25.9	21.0	26.0	37.5	28.9
Book value (DKK)	320	344	380	451	466
Share price/book value	1.21	0.88	0.70	0.97	1.05

## NOTES

DKKm	Sydbank Group		Sydbank A/S	
	2001	2002	2001	2002
<b>Note 1</b>				
<b>Shareholders' equity (tier 1):</b>				
Changes in capital:				
Shareholders' equity (tier 1) at 1 January	3,221	3,435	3,221	3,435
Write-off of goodwill etc	-	(157)	-	(157)
<b>Adjusted shareholders' equity (tier 1) at 1 January</b>	<b>3,221</b>	<b>3,278</b>	<b>3,221</b>	<b>3,278</b>
Capital reduction	(128)	-	(128)	-
Post-tax profit year-to-date	288	216	288	216
<b>Total shareholders' equity (tier 1)</b>	<b>3,381</b>	<b>3,494</b>	<b>3,381</b>	<b>3,494</b>
Share capital consists of 7,500,000 shares at a nominal value of DKK 100 each.				
<b>Note 2</b>				
<b>Solvency:</b>				
Composition of capital and weighted items:				
Core capital (tier 1) after deductions	3,043	3,230	3,043	3,230
Capital base (tiers 1+2) and short-term supplementary capital after deductions of capital requirements of items with market risk	3,882	3,901	3,882	3,901
Weighted items outside the trading portfolio	36,771	36,180	37,013	36,349
Weighted items with market risk	4,905	6,421	4,902	6,420
<b>Total weighted items</b>	<b>41,676</b>	<b>42,601</b>	<b>41,915</b>	<b>42,769</b>
Solvency ratio (total capital)	10.3	10.4	10.2	10.3
Core capital ratio (tier 1)	7.3	7.6	7.3	7.6