

A blurred man in a dark suit and tie is walking past a light-colored brick wall. In the upper right corner, a large, white, three-dimensional 'Sydbank' sign is mounted on the wall. The background is a bright, sunny day.

Sydbank

Interim Report – First Half 2014

Sydbank Group

Sydbank

Sydbank's Interim Report – First Half 2014

Sydbank's plan to increase profitability is beginning to show results

CEO Karen Frøsig comments on the interim financial statements:

“– The reasonable trend continues: Sydbank's loans and advances are on the rise, income is growing in a highly competitive market and impairment charges have fallen by 36%.”

“– The plan to improve profitability in Sydbank is beginning to show results. At the same time we have some of the market's most satisfied clients. We will continue to proceed as planned to achieve lasting improvements in performance by increasing income by DKK 200m, by lowering costs by DKK 200m and by remaining focused on credit quality.”

Half-year results – highlights

- Total income has risen by 3% to DKK 2,283m compared to the first six months of 2013. Deposits as well as loans and advances have gone up in 1H 2014.
- Sydbank continues to see an influx of new clients, both as regards retail clients, private banking clients and corporate clients.
- During 1H 2014 loans and advances have gone up by 1.6% in a market where competition for clients is very intense.
- Impairment charges for loans and advances have declined by 36%.
- Costs (core earnings) have increased as a result of the acquisition of DiBa Bank.
- Profit before tax equals a return of 12% p.a. on average shareholders' equity.

Progress was particularly remarkable in Q2 when Sydbank recorded its best quarterly result in terms of core earnings in the last six years, namely DKK 370m. Impairment charges of DKK 111m for the quarter are at their lowest level since the start of the financial crisis in Q3 2008.

Revised outlook for 2014

Sydbank continues to project rising core income and trading income. A continued rise in costs (core earnings) is anticipated – partly as a result of the acquisition of DiBa Bank, and partly as a consequence of the activities implemented. Expectations for impairment charges are lowered to DKK 700-800m where the previously announced expectation was DKK 950-1,100m. Integration and restructuring costs are still forecast to total around DKK 75m.

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Group Financial Highlights

	1H 2014	1H 2013	Index 14/13	Q2 2014	Q2 2013	Full year 2013
Income statement (DKKm)						
Core income	2,131	2,052	104	1,076	1,016	4,058
Trading income	152	161	94	66	75	229
Total income	2,283	2,213	103	1,142	1,091	4,287
Costs, core earnings	1,365	1,310	104	661	649	2,514
Core earnings before impairment	918	903	102	481	442	1,773
Impairment of loans and advances etc	430	674	64	111	325	1,861
Core earnings	488	229	213	370	117	(88)
Investment portfolio earnings	37	284	13	(47)	197	319
Profit before non-recurring items and industry solutions	525	513	102	323	314	231
Non-recurring items, net	108	0	-	(21)	0	(43)
Contributions to industry solutions	1	11	9	1	(4)	17
Profit before tax	632	502	126	301	318	171
Tax	118	118	100	73	71	(16)
Profit for the period	514	384	134	228	247	187
Balance sheet highlights (DKKbn)						
Loans and advances at amortised cost	67.7	67.8	100	67.7	67.8	66.6
Loans and advances at fair value	5.7	4.5	127	5.7	4.5	4.9
Deposits and other debt	74.0	65.9	112	74.0	65.9	70.0
Bonds issued at amortised cost	3.7	3.8	97	3.7	3.8	6.5
Subordinated capital	1.4	1.4	100	1.4	1.4	1.8
Shareholders' equity	10.7	10.5	102	10.7	10.5	10.2
Total assets	147.4	141.4	104	147.4	141.4	147.9
Financial ratios per share (DKK per share of DKK 10)						
EPS Basic **	7.0	5.2		3.1	3.4	2.5
EPS Diluted **	7.0	5.2		3.1	3.4	2.5
Share price at end of period	143.7	114.0		143.7	114.0	144.0
Book value	146.7	142.6		146.7	142.6	139.7
Share price/book value	0.98	0.80		0.98	0.80	1.03
Average number of shares outstanding (in millions)	73.3	73.2		73.3	73.5	73.4
Dividend per share	-	-		-	-	-
Other financial ratios and key figures						
Total capital ratio	16.2	16.5		16.2	16.5	15.7
Tier 1 capital ratio	15.7	16.2		15.7	16.2	15.3
Common equity Tier 1 capital ratio	14.1	14.4		14.1	14.4	13.4
Pre-tax profit as % of average shareholders' equity **	6.0	4.9		2.8	3.1	1.7
Post-tax profit as % of average shareholders' equity **	4.9	3.7		2.1	2.4	1.8
Costs (core earnings) as % of total income	59.8	59.2		57.9	59.5	58.6
Interest rate risk	0.5	0.2		0.5	0.2	0.6
Foreign exchange position	4.4	2.3		4.4	2.3	2.1
Foreign exchange risk	0.0	0.1		0.0	0.1	0.0
Loans and advances relative to deposits *	0.8	0.9		0.8	0.9	0.8
Loans and advances relative to shareholders' equity *	6.3	6.5		6.3	6.5	6.5
Growth in loans and advances for the period *	1.6	(0.6)		0.7	(0.1)	(2.3)
Excess cover relative to statutory liquidity requirements	188.4	167.4		188.4	167.4	179.8
Total large exposures	36.3	30.5		36.3	30.5	25.8
Accumulated impairment ratio	5.7	4.2		5.7	4.2	5.4
Impairment ratio for the period **	0.54	0.85		0.16	0.41	2.34
Number of full-time staff at end of period	2,187	2,087	105	2,187	2,087	2,231

* Financial ratios are calculated on the basis of loans and advances at amortised cost.

** Ratios have not been converted to a full-year basis.

Highlights

Increased profitability and continued client satisfaction at Sydbank

Sydbank's financial statements for 1H show a profit before tax of DKK 632m compared with DKK 502m in 1H 2013. The improvement is due to rising core income, reduced impairment charges and one-off income. Profit before tax equals a return of 12.0% p.a. on average shareholders' equity. The result is in line with the expectations presented in the 2013 financial statements.

The plan to increase the Bank's profitability is progressing as planned. Based on Sydbank's high client satisfaction, the plan is to ensure by the beginning of 2016:

- an improvement in core income of DKK 200m
- a reduction in costs (core earnings) of DKK 200m
- falling impairment charges for loans and advances.

In Q2 Sydbank undertook a number of initiatives aimed at strengthening core income and reducing costs. In addition there continues to be strong focus on improving credit quality.

1H performance

As a result of tough competition in the sector, the Group's net interest income remains under pressure. However the trend towards falling core income throughout 2013 has stopped and core income has increased by DKK 79m or approx 4% to DKK 2,131m following a rise in income from mortgage credit, payment services, commission etc.

Trading income has decreased by DKK 9m compared with one year ago.

Total income has increased by DKK 70m or just over 3% compared with 1H 2013.

Costs (core earnings) are a constant area of focus at Sydbank. As a result the Bank has maintained tight control of costs (core earnings) during the half year which show a declining trend – excluding DiBa Bank.

The Group's impairment charges for loans and advances:

- have declined by DKK 244m to DKK 430m compared with 1H 2013
- represent DKK 111m in Q2 2014 – the lowest level since the start of the financial crisis in Q3 2008

- are projected to constitute in the region of DKK 700-800m in 2014
- are expected to be favourably impacted in the future by the ongoing activities involving the development of systems and processes to optimise credit management and credit quality.

Core earnings increased by DKK 259m to DKK 488m compared with DKK 229m in 1H 2013. The improvement is mainly attributable to a decrease in impairment charges for loans and advances as well as a rise in core income. Core earnings for Q2 2014 represent DKK 370m – the highest core earnings result since Q2 2008.

Together the Group's position-taking and liquidity handling generated investment portfolio earnings of DKK 37m in 1H 2014 compared with DKK 284m a year ago.

Profit before tax rose to DKK 632m compared to DKK 502m in 1H 2013. DKK 118m of the increase is attributable to non-recurring items etc.

During the half year Sydbank recorded an increase in loans and advances of DKK 1.1bn compared to the level at the turn of the year. This is satisfactory given the highly competitive market. Growth in deposits amounted to DKK 4.0bn during the same period.

The integration of DiBa Bank is progressing as planned. During the half year three branches were merged, the IT conversion between Sydbank and DiBa Bank will take place in Q3 2014 and 15 employees were laid off as previously announced. Furthermore 41 DiBa employees have left the Group for other reasons. There has been no appreciable loss of DiBa Bank clients.

During the quarter Sydbank recorded a continued influx of new clients. In 1H 2014 Sydbank welcomed approx 13,000 new clients, bringing the number of clients to approx 463,500 at the end of 1H 2014. Moreover Sydbank is very satisfied to note that client satisfaction continues to be very high.

Outlook for 2014

Sydbank continues to project a rise in core income in 2014 – partly as a result of the acquisition of DiBa Bank, and partly as a consequence of the activities initiated and despite ongoing fierce competition in the sector.

Trading income is projected to increase relative to 2013 due in part to the acquisition of DiBa Bank. Much will however depend on financial market developments.

Despite the activities initiated, costs (core earnings) are expected to continue to rise in 2014 as a result

of the acquisition of DiBa Bank. The cost-saving measures implemented are projected to take full effect by the beginning of 2016.

Expectations for impairment charges for loans and advances are lowered to DKK 700-800m for 2014 where the previously announced expectation was DKK 950-1,100m.

Integration and restructuring costs included in non-recurring items are expected to total around DKK 75m.

Financial Review – Performance in 1H 2014

The Sydbank Group has recorded a profit before tax of DKK 632m (1H 2013: DKK 502m). The performance meets the expectations at the beginning of the year. Profit before tax equals a return of 12.0% p.a. on average shareholders' equity. The result is characterised by:

1H

- 4% rise in core income despite a decline in net interest etc of 4%
- 6% decrease in trading income
- Increase in costs (core earnings) as a result of the acquisition of DiBa
- 36% decline in impairment charges for loans and advances
- Rise in core earnings of DKK 259m to DKK 488m
- Investment portfolio earnings of DKK 37m
- Non-recurring items etc, net income of DKK 107m
- Bank loans and advances of DKK 67.7bn (year-end 2013: DKK 66.6bn)
- Bank deposits of DKK 74.0bn (year-end 2013: DKK 70.0bn)
- Total capital ratio of 16.2%, including a common equity Tier 1 capital ratio of 14.1%
- Individual solvency need of 10.1% (year-end 2013: 10.0%).

Q2

- Impairment charges for loans and advances of DKK 111m – the lowest level since the beginning of the financial crisis
- Core earnings of DKK 370m – the highest quarterly result since Q2 2008.

Income statement – 1H (DKKm)	2014	2013
Core income	2,131	2,052
Trading income	152	161
Total income	2,283	2,213
Costs, core earnings	1,365	1,310
Core earnings before impairment	918	903
Impairment charges for loans and advances etc	430	674
Core earnings	488	229
Investment portfolio earnings	37	284
Profit before non-recurring items	525	513
Non-recurring items etc, net	107	11
Profit before tax	632	502
Tax	118	118
Profit for the period	514	384

Core income

Total core income has increased by DKK 79m to DKK 2,131m.

Net interest has decreased by DKK 58m to DKK 1,249m due in part to a decline in interest margins.

Net income from the cooperation with Totalkredit represents DKK 122m (2013: DKK 103m) after a set-off of loss of DKK 15m (2013: DKK 11m). The cooperation with DLR Kredit has generated an income of DKK 43m (2013: DKK 26m). Mortgage credit income totals DKK 172m (2013: DKK 130m).

Income from payment services has gone up by DKK 27m to DKK 108m compared to 2013.

The remaining income components have risen by DKK 68m compared to 2013.

Core income – 1H (DKKm)	2014	2013
Net interest etc	1,249	1,307
Mortgage credit	172	130
Payment services	108	81
Remortgaging and loan fees	48	44
Commission and brokerage	171	168
Commission etc investment funds and pooled pension plans	167	165
Asset management	87	83
Custody account fees	42	40
Other income	87	34
Total	2,131	2,052

Trading income

Trading income has declined by DKK 9m to DKK 152m. Developments are characterised by increasing equities turnover with clients and declining trading in mortgage bonds, among other factors as a consequence of uncertainty surrounding the forthcoming liquidity requirements.

Costs and depreciation

The Group's costs and depreciation totalled DKK 1,407m, equal to an increase of DKK 82m compared with 2013.

Costs and depreciation – 1H (DKKm)	2014	2013
Staff costs	788	732
Other administrative expenses	509	466
Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	49	63
Other operating expenses	61	64
Total costs and depreciation	1,407	1,325
Distributed as follows:		
Costs, core earnings	1,365	1,310
Costs, investment portfolio earnings	4	4
Costs, non-recurring items	37	11

Costs (core earnings) represent DKK 1,365m compared to DKK 1,310m in 1H 2013. This development can be attributed to the acquisition of DiBa Bank.

At end-1H 2014 the Group's staff numbered 2,187 (full-time equivalent) compared with 2,087 at 30 June 2013.

As a consequence of the Bank's ongoing adjustment of its service concept and its efforts to reduce costs (core earnings), four small branches were closed during the first six months of 2014. Moreover three branches were amalgamated in connection with the integration of DiBa Bank. This brings the number of branches to 90 in Denmark and unchanged five in Germany. As of 30 September 2014 the branches in Wiesbaden and Berlin will be amalgamated with the branch in Hamburg.

Core earnings before impairment

Core earnings before impairment charges for loans and advances represent DKK 918m – an increase of DKK 15m compared with one year ago.

Impairment charges for loans and advances etc

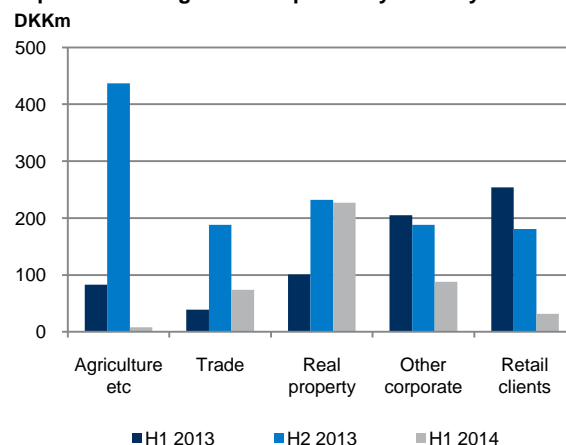
Impairment charges for loans and advances constitute DKK 430m (1H 2013: DKK 674m and 2H 2013: DKK 1,187m).

The impairment charges for Q2 2014 are favourably affected by a net reversal of impairment charges amounting to DKK 30m as regards retail clients. The reversal is a consequence of an extraordinary review of retail exposures conducted in Q2.

Moreover the impairment charges for Q2 are positively affected by the growing prices of agricultural land, which has reduced impairment charges by DKK 86m, and adversely affected by the effect of a more cautious valuation of the agricultural sector's other assets, which has increased impairment charges by DKK 56m.

The chart below shows the half year's impairment charges for the same periods in terms of agriculture, trade, real property, other corporate lending as well as retail clients.

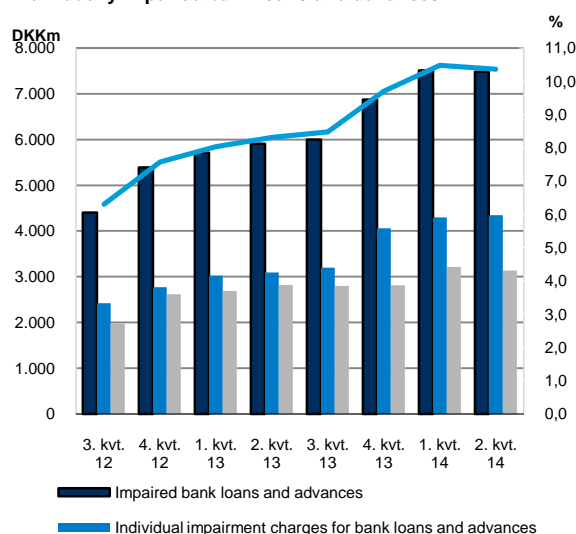
Impairment charges for the period-by industry



The development – including agriculture in particular – is a reflection of the Danish FSA's inspection in 2H 2013. In 1H 2014 impairment charges for agriculture were impacted by the new valuations of agricultural assets. Impairment charges for trade declined significantly in 1H 2014 compared to 2H 2013 whereas impairment charges for real property were unchanged during the same period. Impairment charges for retail clients have decreased substantially over the most recent three half-year periods.

The impairment ratio represents 0.62% relative to bank loans and advances and 0.54% relative to bank loans and advances and guarantees at 30 June 2014. At end-June 2014 accumulated impairment and provisions amount to DKK 4,604m. A rise of DKK 303m compared with the beginning of the year.

Individually impaired bank loans and advances



Compared with 30 June 2013, impaired bank loans and advances before impairment charges have increased by DKK 1,572m to DKK 7,481m, equal to 27%. DKK 901m of the increase is attributable to

non-defaulted bank loans and advances and DKK 671m is attributable to defaulted bank loans and advances. During the same period individually impaired bank loans and advances after impairment charges rose by DKK 315m, equal to 11%. Individual impairment charges for impaired bank loans and advances represent 58.1% (end-June 2013: 52.3% and year-end 2013: 59.1%).

In 1H 2014 reported losses amount to DKK 264m (1H 2013: DKK 442m). Of the reported losses DKK 239m has previously been written down.

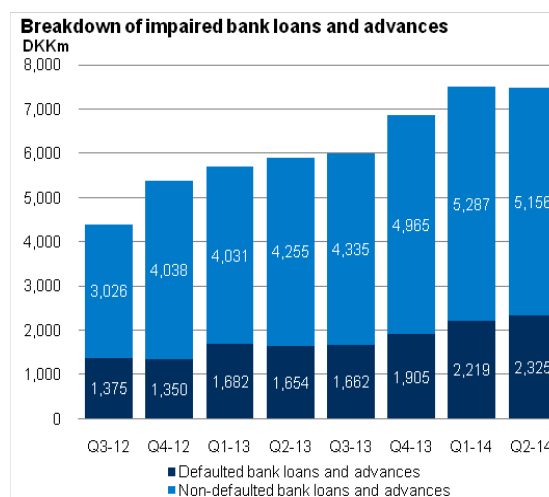
Individually impaired bank loans and advances (DKKm)	30 Jun 2014	31 Dec 2013	30 Jun 2013
Non-defaulted bank loans and advances	5,156	4,965	4,255
Defaulted bank loans and advances	2,325	1,905	1,654
Impaired bank loans and advances	7,481	6,870	5,909
Impairment charges for bank loans and advances subject to individual impairment	4,347	4,058	3,090
Impaired bank loans and advances after impairment charges	3,134	2,812	2,819
Impaired bank loans and advances as % of bank loans and advances	10.4	9.7	8.3
Impairment charges as % of bank loans and advances before impairment charges	6.0	5.7	4.3
Impaired as % of impaired bank loans and advances	58.1	59.1	52.3
Impairment charges as % of defaulted bank loans and advances	187.0	213.0	186.8

Impairment charges in percentage terms of defaulted bank loans and advances at 30 June 2014 stand at 187.0.

The figure below shows the breakdown of impaired bank loans and advances by defaulted bank loans and advances and non-defaulted bank loans and advances.

The bulk of impaired bank loans and advances concern non-defaulted bank loans and advances.

Defaulted bank loans and advances have risen by DKK 671m since 1H 2013 whereas non-defaulted bank loans and advances have gone up by DKK 901m.



Core earnings

Core earnings represent DKK 488m – an increase of DKK 259m or 113% compared with one year ago.

Investment portfolio earnings

Together the Group's position-taking and liquidity handling generated income of DKK 37m in 1H 2014 compared with DKK 284m a year ago.

Investment portfolio earnings – 1H (DKKm)	2014	2013
Position-taking	45	239
Liquidity generation and liquidity reserves	23	45
Strategic positions	(27)	4
Costs	(4)	(4)
Total	37	284

In Q2 2014 investment portfolio earnings amount to minus DKK 47m, of which minus DKK 27m can be attributed to strategic positions, primarily as a result of the write-down of Additional Tier 1 capital and the sale of the Group's portfolio of mortgages.

In addition to strategic positions, investment portfolio earnings were adversely affected in Q2 2014 by the Group's fixed income position which has been held for an extended period in anticipation of an interest rate increase. During the quarter the interest rate declined, which has resulted in a loss on the position.

Margin expenses as regards the Group's senior issues are included under liquidity generation and liquidity reserves and represent DKK 32m in 1H 2014 compared to DKK 24m in 1H 2013.

Non-recurring items etc, net

Non-recurring items etc total a net income of DKK 107m (1H 2013: minus DKK 11m). This item includes:

- one-off income of DKK 148m from the sale of the Group's shares in Nets Holding

-
- net integration items concerning DiBa – consisting of an additional interest charge of DKK 4m as regards subordinated capital, costs of DKK 28m and income of DKK 1m from the sale of subsidiaries.
 - restructuring costs of DKK 9m
 - contributions to industry solutions of DKK 1m (1H 2013: DKK 11m).

Profit for the period

Profit before tax amounts to DKK 632m (2013: DKK 502m). Tax represents DKK 118m, equivalent to an effective tax rate of 18.8%. The low level is due to the fact that the income of DKK 148m concerning the sale of Nets is not taxable. Profit for the period amounts to DKK 514m compared with DKK 384m in 2013.

Return

Profit for the period equals a return on average shareholders' equity of 9.8% p.a. against 7.5% p.a. in 2013. Earnings per share stands at DKK 7.0 compared with DKK 5.2 in 2013.

Profit for the period (DKK m)	2014			2013		
	Q2	Q1	Q4	Q3	Q2	Q1
Core income	1,076	1,055	1,011	995	1,016	1,036
Trading income	66	86	37	31	75	86
Total income	1,142	1,141	1,048	1,026	1,091	1,122
Costs, core earnings	661	704	600	604	649	661
Core earnings before impairment	481	437	448	422	442	461
Impairment of loans and advances etc	111	319	888	299	325	349
Core earnings	370	118	(440)	123	117	112
Investment portfolio earnings	(47)	84	42	(7)	197	87
Profit before non-recurring items	323	202	(398)	116	314	199
Non-recurring items etc, net	(22)	129	(47)	(2)	4	(15)
Profit before tax	301	331	(445)	114	318	184
Tax	73	45	(163)	29	71	47
Profit for the period	228	286	(282)	85	247	137

Q2 2014

Profit before tax for the quarter represents DKK 301m.

Compared with Q1 2014 profit before tax reflects:

- A rise in core income of DKK 21m
- A decrease in trading income of DKK 20m
- A decline in costs (core earnings) of DKK 43m
- A decrease in impairment charges for loans and advances of DKK 208m
- A rise in core earnings of DKK 252m to DKK 370m
- Investment portfolio earnings of minus DKK 47m (Q1 2014: DKK 84m)
- Non-recurring items – charge of DKK 22m (Q1 2014: net income of DKK 129m).

Profit for the period amounts to DKK 228m.

Impairment charges for loans and advances in Q2 2014 of DKK 111m are at their lowest level since the start of the financial crisis in Q3 2008. The core earnings result of DKK 370m is the highest quarterly result since Q2 2008.

Subsidiaries

Ejendomsselskabet has recorded a profit after tax of DKK 2m compared with DKK 0m in 2013. The consolidated profit after tax in DiBa and Heering Huse represents minus DKK 3m and minus DKK 1m, respectively.

Total assets

The Group's total assets made up DKK 147.4bn at 30 June 2014 against DKK 147.9bn at year-end 2013.

Assets (DKKbn)	30 Jun 2014	31 Dec 2013
Amounts owed by credit institutions etc	8.1	11.7
Loans and advances at fair value (reverse transactions)	5.7	4.9
Bank loans and advances (at amortised cost)	67.7	66.6
Securities and holdings etc	40.0	40.6
Assets related to pooled plans	10.6	10.2
Other assets etc	15.3	13.9
Total	147.4	147.9

The Group's bank loans and advances make up DKK 67.7bn at end-June 2014 against DKK 66.6bn at year-end 2013 and DKK 67.8bn at end-June 2013. The development compared with end-June 2013 includes bank loans and advances of almost DKK 2.3bn taken over from DiBa Bank in mid-December 2013.

Shareholders' equity and liabilities (DKKbn)	30 Jun 2014	31 Dec 2013
Amounts owed to credit institutions etc	28.8	31.0
Deposits and other debt	74.0	70.0
Deposits in pooled plans	10.6	10.2
Bonds issued	3.7	6.5
Other liabilities etc	18.2	18.2
Subordinated capital	1.4	1.8
Shareholders' equity	10.7	10.2
Total	147.4	147.9

The Group's deposits make up DKK 74.0bn (year-end 2013: DKK 70.0bn). Compared to 30 June 2013, deposits – including deposits of DKK 3.9bn taken over from DiBa Bank in mid-December 2013 – have risen by DKK 8.1bn from DKK 65.9bn.

At end-February 2014 Sydbank redeemed a senior loan of EUR 500m. Moreover DiBa redeemed Tier 2 capital amounting to DKK 100m and government Additional Tier 1 capital of DKK 160m in February 2014 as well as Tier 2 capital of DKK 150m in May 2014.

Capital

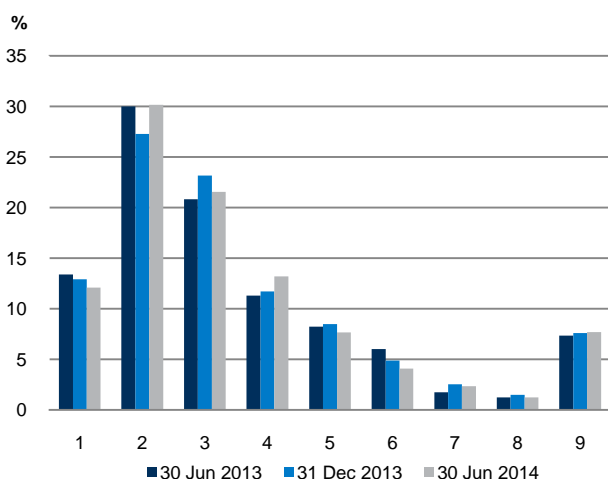
At 30 June 2014 shareholders' equity constitutes DKK 10,742m – an increase of DKK 505m since year-end 2013. The change comprises additions from profit for the period of DKK 514m less distribution of DKK 4m and net sales of own shares of DKK 5m.

Risk-weighted assets (DKKbn)	30 Jun 2014	31 Dec 2013
Credit risk	53.3	54.2
Market risk	9.7	10.2
Operational risk	8.3	8.3
Total	71.3	72.7

Risk-weighted assets represent DKK 71.3bn (year-end 2013: DKK 72.7bn). The decrease consists of a fall in credit risk of DKK 0.9bn and a decline in market risk of DKK 0.5bn.

The development in gross exposures by rating category at 30 June 2013, 31 December 2013 and 30 June 2014 appears below.

Gross exposures by rating category



The gross exposure consists 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 by rating category. Impairment charges for exposures have not been deducted from the exposures.

Gross exposures by rating category show a positive development and overall account for an increasing share of the four best rating categories. The

tightened impairment charges have generated a rise in the number of clients with objective evidence of impairment (OEI). The Group assigns all exposures to clients with OEI to rating category 9 and consequently exposures in this rating category have risen. Migration has predominantly taken place from rating categories 5-8.

The Group's total capital ratio stands at 16.2%, of which 15.7 percentage points are attributable to Tier 1 capital, compared with 15.7% and 15.3 percentage points, respectively, at year-end 2013. The common equity Tier 1 capital ratio stands at 14.1% (31 December 2013: 13.4%). At 30 June 2014 the individual solvency need constitutes 10.1% (31 December 2013: 10.0%).

Market risk

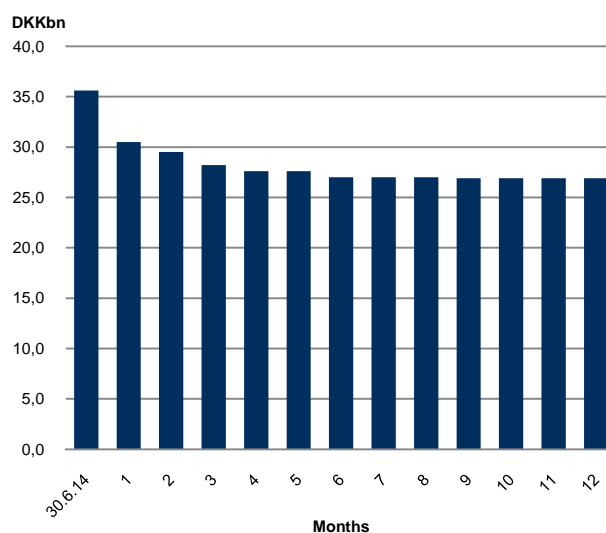
At 30 June 2014 the Group's interest rate risk stands at DKK 54m. The Group's exchange rate risk continues to be very low and its equity position modest.

Liquidity

The Group's liquidity measured under the 10% statutory requirement constitutes 28.8% at 30 June 2014.

Moody's 12-month curve shows that the Group is able to withstand a situation in which access to capital markets is cut off for a period of 12 months.

Moody's 12-month liquidity curve



Rating

Moody's most recent rating of Sydbank:

- Outlook: Negative
- Long-term debt: Baa1
- Short-term debt: P-2
- Bank financial strength: C-

Supervisory Diamond

The Supervisory Diamond sets specific limit values for a number of special risk areas which banks should generally observe.

Supervisory Diamond (%)	30 Jun 2014	31 Dec 2013	30 Jun 2013
Sum of large exposures < 125% of the capital base	36	26	30
Growth in loans and advances < 20% annually	2	(2)	(2)
Commercial property exposure < 25%	11	11	12
Funding ratio < 1	0.76	0.78	0.87
Excess cover relative to statutory liquidity requirements > 50%	188	180	167

Sydbank A/S complies with all the benchmarks of the Supervisory Diamond.

SIFI

In June 2014 Sydbank was designated as a systemically important financial institution (SIFI). As from 1 January 2015 Sydbank must meet a capital requirement by way of a SIFI buffer. The SIFI buffer requirement must be fulfilled in terms of common equity Tier 1 capital. The requirement will be gradually phased in during the period 2015-2019 and when fully implemented, it is expected to represent 1.0% as regards Sydbank.

Income Statement

DKKkm	Note	Sydbank Group		Sydbank A/S	
		1H 2014	1H 2013	1H 2014	1H 2013
Interest income	2	1,662	1,804	1,664	1,805
Interest expense	3	319	309	316	309
Net interest income		1,343	1,495	1,348	1,496
Dividends on shares		39	23	39	23
Fee and commission income	4	851	739	851	739
Fee and commission expense		118	112	118	112
Net interest and fee income		2,115	2,145	2,120	2,146
Market value adjustments	5	343	344	343	344
Other operating income		15	11	15	11
Staff costs and administrative expenses	6	1,297	1,198	1,301	1,202
Depreciation and impairment of property, plant and equipment		49	63	48	60
Other operating expenses	8	61	64	61	64
Impairment of loans and advances etc	9	442	674	442	674
Profit on holdings in associates and subsidiaries	10	8	1	6	1
Profit before tax		632	502	632	502
Tax	11	118	118	118	118
Profit for the period		514	384	514	384
EPS Basic (DKK) *		7.0	5.2	7.0	5.2
EPS Diluted (DKK) *		7.0	5.2	7.0	5.2
Dividend per share (DKK)		-	-	-	-
* Calculated on the basis of average number of shares outstanding, see page 15.					

Statement of Comprehensive Income

Profit for the period		514	384	514	384
Other comprehensive income					
Items that may be reclassified to the income statement:					
Translation of foreign entities		2	(5)	2	(5)
Hedge of net investment in foreign entities		(2)	5	(2)	5
Property revaluation		0	1	0	1
Other comprehensive income after tax		0	1	0	1
Comprehensive income for the period		514	385	514	385

Balance Sheet

DKKkm	Note	Sydbank Group		Sydbank A/S	
		30 Jun 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013
Assets					
Cash and balances on demand					
at central banks		932	2,850	932	2,391
Amounts owed by credit institutions and central banks	12	7,164	8,800	7,164	8,748
Loans and advances at fair value		5,671	4,885	5,671	4,885
Loans and advances at amortised cost		67,657	66,592	67,831	64,462
Bonds at fair value		38,142	38,819	38,142	37,495
Shares etc		1,744	1,669	1,744	1,601
Holdings in associates etc		169	162	169	162
Holdings in subsidiaries etc		-	-	643	487
Assets related to pooled plans		10,632	10,162	10,632	10,162
Intangible assets		344	355	344	232
Total land and buildings		1,096	1,122	911	804
investment property		5	20	5	16
owner-occupied property		1,091	1,102	906	788
Other property, plant and equipment		68	86	68	84
Current tax assets		111	182	111	182
Deferred tax assets		78	79	10	10
Assets in temporary possession		20	19	9	6
Other assets	13	13,517	12,049	13,512	11,998
Prepayments		63	61	63	54
Total assets		147,408	147,892	147,956	143,763
Shareholders' equity and liabilities					
Amounts owed to credit institutions and central banks	14	28,745	31,019	29,277	31,188
Deposits and other debt	15	73,957	70,027	73,957	66,158
Deposits in pooled plans		10,636	10,167	10,636	10,167
Bonds issued at amortised cost		3,744	6,462	3,743	6,456
Current tax liabilities		5	5	5	72
Other liabilities	16	18,023	18,022	18,021	17,933
Deferred income		1	6	1	5
Total liabilities		135,111	135,708	135,640	131,979
Provisions	17	170	150	189	161
Subordinated capital	18	1,385	1,797	1,385	1,386
Shareholders' equity:					
Share capital		742	742	742	742
Revaluation reserves		77	77	77	77
Other reserves:					
Reserves according to articles of association		425	425	425	425
Other reserves		3	3	3	3
Retained earnings		9,495	8,986	9,495	8,986
Proposed dividend etc		-	4	-	4
Total shareholders' equity		10,742	10,237	10,742	10,237
Total shareholders' equity and liabilities		147,408	147,892	147,956	143,763

Group Financial Highlights – Quarterly

	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Income statement (DKKm)						
Core income	1,076	1,055	1,011	995	1,016	1,036
Trading income	66	86	37	31	75	86
Total income	1,142	1,141	1,048	1,026	1,091	1,122
Costs, core earnings	661	704	600	604	649	661
Core earnings before impairment	481	437	448	422	442	461
Impairment of loans and advances etc	111	319	888	299	325	349
Core earnings	370	118	(440)	123	117	112
Investment portfolio earnings	(47)	84	42	(7)	197	87
Profit before non-recurring items and industry solutions	323	202	(398)	116	314	199
Non-recurring items, net	(21)	129	(43)	-	-	-
Contributions to industry solutions	1	0	4	2	(4)	15
Profit before tax	301	331	(445)	114	318	184
Tax	73	45	(163)	29	71	47
Profit for the period	228	286	(282)	85	247	137
Balance sheet highlights (DKKbn)						
Loans and advances at amortised cost	67.7	67.2	66.6	67.4	67.8	67.9
Loans and advances at fair value	5.7	6.1	4.9	4.6	4.5	5.8
Deposits and other debt	74.0	72.0	70.0	68.1	65.9	66.7
Bonds issued at amortised cost	3.7	3.7	6.5	3.8	3.8	3.8
Subordinated capital	1.4	1.5	1.8	1.4	1.4	1.4
Shareholders' equity	10.7	10.5	10.2	10.6	10.5	10.2
Total assets	147.4	143.4	147.9	144.5	141.4	155.4
Financial ratios per share (DKK per share of DKK 10)						
EPS Basic **	3.1	3.9	(3.8)	1.2	3.4	1.9
EPS Diluted **	3.1	3.9	(3.8)	1.2	3.4	1.9
Share price at end of period	143.7	138.7	144.0	143.8	114.0	119.1
Book value	146.7	143.5	139.7	143.8	142.6	139.3
Share price/book value	0.98	0.97	1.03	1.00	0.80	0.86
Average number of shares outstanding (in millions)	73.3	73.3	73.6	73.6	73.5	73.0
Dividend per share	-	-	-	-	-	-
Other financial ratios and key figures						
Total capital ratio	16.2	15.8	15.7	16.9	16.5	15.7
Tier 1 capital ratio	15.7	15.3	15.3	16.5	16.2	15.3
Common equity Tier 1 capital ratio	14.1	13.8	13.4	14.8	14.4	13.7
Pre-tax profit as % of average shareholders' equity **	2.8	3.2	(4.3)	1.1	3.1	1.8
Post-tax profit as % of average shareholders' equity **	2.1	2.7	(2.7)	0.8	2.4	1.4
Costs (core earnings) as % of total income	57.9	61.7	57.3	58.9	59.5	58.9
Interest rate risk	0.5	0.6	0.6	0.0	0.2	1.7
Foreign exchange position	4.4	9.2	2.1	2.9	2.3	4.6
Foreign exchange risk	0.0	0.2	0.0	0.1	0.1	0.1
Loans and advances relative to deposits *	0.8	0.8	0.8	0.9	0.9	0.9
Loans and advances relative to shareholders' equity *	6.3	6.4	6.5	6.4	6.5	6.7
Growth in loans and advances for the period *	0.7	0.9	(1.2)	(0.6)	(0.1)	(0.4)
Excess cover relative to statutory liquidity requirements	188.4	182.9	179.8	200.3	167.4	147.6
Total large exposures	36.3	35.5	25.8	22.2	30.5	10.4
Accumulated impairment ratio	5.7	5.6	5.4	4.4	4.2	4.2
Impairment ratio for the period **	0.16	0.39	1.12	0.38	0.41	0.44
Number of full-time staff at end of period	2,187	2,201	2,231	2,078	2,087	2,106

* Financial ratios are calculated on the basis of loans and advances at amortised cost.

** Quarterly ratios have not been converted to a full-year basis.

Group Financial Highlights – Half-yearly

	1H 2014	1H 2013	1H 2012	1H 2011	1H 2010
Income statement (DKKm)					
Core income	2,131	2,052	2,141	1,988	2,088
Trading income	152	161	168	134	298
Total income	2,283	2,213	2,309	2,122	2,386
Costs, core earnings	1,365	1,310	1,302	1,303	1,281
Core earnings before impairment	918	903	1,007	819	1,105
Impairment of loans and advances etc	430	674	975	490	633
Core earnings	488	229	32	329	472
Investment portfolio earnings	37	284	126	13	124
Profit before non-recurring items and industry solutions	525	513	158	342	596
Non-recurring items, net	108	-	-	-	-
Contributions to industry solutions	1	11	5	161	261
Profit before tax	632	502	153	181	335
Tax	118	118	38	45	84
Profit for the period	514	384	115	136	251
Balance sheet highlights (DKKbn)					
Loans and advances at amortised cost	67.7	67.8	66.7	71.9	74.1
Loans and advances at fair value	5.7	4.5	5.9	12.0	6.6
Deposits and other debt	74.0	65.9	65.4	67.4	64.9
Bonds issued at amortised cost	3.7	3.8	8.8	7.5	8.6
Subordinated capital	1.4	1.4	1.4	2.3	3.1
Shareholders' equity	10.7	10.5	9.7	9.5	9.4
Total assets	147.4	141.4	158.3	145.7	154.4
Financial ratios per share (DKK per share of DKK 10)					
EPS Basic **	7.0	5.2	1.6	1.9	3.4
EPS Diluted **	7.0	5.2	1.6	1.9	3.4
Share price at end of period	143.7	114.0	95.0	114.8	124.8
Book value	146.7	142.6	132.6	128.6	127.5
Share price/book value	0.98	0.80	0.72	0.89	0.98
Average number of shares outstanding (in millions)	73.3	73.2	73.2	73.5	73.7
Dividend per share	-	-	-	-	-
Other financial ratios and key figures					
Total capital ratio	16.2	16.5	14.6	15.1	15.7
Tier 1 capital ratio	15.7	16.2	14.6	14.1	13.5
Common equity Tier 1 capital ratio	14.1	14.4	13.0	12.5	11.9
Pre-tax profit as % of average shareholders' equity **	6.0	4.9	1.6	1.9	3.6
Post-tax profit as % of average shareholders' equity **	4.9	3.7	1.2	1.4	2.7
Costs (core earnings) as % of total income	59.8	59.2	56.4	61.4	53.7
Interest rate risk	0.5	0.2	0.3	0.9	0.2
Foreign exchange position	4.4	2.3	4.2	2.7	1.5
Foreign exchange risk	0.0	0.1	0.1	0.0	0.0
Loans and advances relative to deposits *	0.8	0.9	0.9	1.0	1.0
Loans and advances relative to shareholders' equity *	6.3	6.5	6.9	7.5	7.9
Growth in loans and advances for the period *	1.6	(0.6)	(3.1)	(1.5)	(0.6)
Excess cover relative to statutory liquidity requirements	188.4	167.4	151.8	99.5	96.8
Total large exposures	36.3	30.5	42.8	34.6	0.0
Accumulated impairment ratio excl PCA	5.7	4.2	3.4	2.1	2.0
Impairment ratio for the period excl PCA **	0.54	0.85	1.24	0.60	0.72
Number of full-time staff at end of period	2,187	2,087	2,128	2,274	2,323

* Financial ratios are calculated on the basis of loans and advances at amortised cost.

** Half-yearly ratios have not been converted to a full-year basis.

Capital – Sydbank Group

DKKkm	Share capital	Re-valuation reserves	Reserves acc to articles of association	Reserve for net revaluation acc to equity method	Retained earnings	Proposed dividend etc	Total
Shareholders' equity at 1 Jan 2014	742	77	425	3	8,986	4	10,237
Profit for the period	-	-	-	-	514	-	514
Other comprehensive income							
Translation of foreign entities	-	-	-	-	2	-	2
Hedge of net investment in foreign entities	-	-	-	-	(2)	-	(2)
Property revaluation	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-	-
Comprehensive income for the period	-	-	-	-	514	-	514
Transactions with owners							
Purchase of own shares	-	-	-	-	(481)	-	(481)
Sale of own shares	-	-	-	-	476	-	476
Dividend paid etc	-	-	-	-	-	(4)	(4)
Total transactions with owners	-	-	-	-	(5)	(4)	(9)
Shareholders' equity at 30 Jun 2014	742	77	425	3	9,495	-	10,742
Shareholders' equity at 1 Jan 2013	742	97	425	2	8,760	7	10,033
Profit for the period	-	-	-	-	384	-	384
Other comprehensive income							
Translation of foreign entities	-	-	-	-	(5)	-	(5)
Hedge of net investment in foreign entities	-	-	-	-	5	-	5
Property revaluation	-	1	-	-	-	-	1
Total other comprehensive income	-	1	-	-	-	-	1
Comprehensive income for the period	-	1	-	-	384	-	385
Transactions with owners							
Purchase of own shares	-	-	-	-	(907)	-	(907)
Sale of own shares	-	-	-	-	960	-	960
Dividend paid etc	-	-	-	-	-	(7)	(7)
Total transactions with owners	-	-	-	-	53	(7)	46
Shareholders' equity at 30 Jun 2013	742	98	425	2	9,197	-	10,464

The Sydbank share	30 Jun 2014	Full year 2013	30 Jun 2013
Share capital (DKK)	742,499,990	742,499,990	742,499,990
Shares issued (number)	74,249,999	74,249,999	74,249,999
Shares outstanding at end of period (number)	73,243,074	73,288,716	73,362,142
Average number of shares outstanding (number)	73,318,274	73,409,670	73,238,134

* Reserves according to the Articles of Association are identical to the restricted savings bank reserve in accordance with Article 4 of the Articles of Association.
The Bank has only one class of shares as all shares carry the same rights.

Capital – Sydbank Group

DKK m	30 Jun 2014	31 Dec 2013	30 Jun 2013
Capital ratios			
Total capital ratio	16.2	15.7	16.5
Tier 1 capital ratio	15.7	15.3	16.2
Common equity Tier 1 capital ratio	14.1	13.4	14.4
Total capital			
Shareholders' equity	10,742	10,237	10,464
Profit – not eligible	(257)	-	-
Revaluation reserves	-	(77)	(98)
Proposed dividend etc	-	(4)	-
Intangible assets and capitalised deferred tax assets	(422)	(434)	(72)
Common equity Tier 1 capital	10,063	9,722	10,294
Additional Tier 1 capital	1,108	1,547	1,386
50% of holdings > 10%	-	(161)	(149)
Tier 1 capital	11,171	11,108	11,531
Tier 2 capital	111	125	-
Revaluation reserves	-	77	98
Difference between expected loss and accounting impairment charges	263	281	297
Total capital before deductions	11,545	11,591	11,926
50% of holdings > 10%	-	(161)	(149)
Total capital	11,545	11,430	11,777
Credit risk	53,296	54,211	55,535
Market risk	9,708	10,197	7,428
Operational risk	8,306	8,341	8,341
Risk-weighted assets	71,310	72,749	71,304
Capital requirement under Pillar I	5,705	5,820	5,704

As of 1 January 2014 the Group calculates its total capital ratio and capital requirement under Pillar I according to the new capital adequacy rules (CRR and CRD IV). As a result profit for the period recognised in equity must be reduced by DKK 257m, equivalent to the maximum dividend calculated according to the Group's dividend policy.

Furthermore revaluation reserves are no longer deducted from common equity Tier 1 capital, and holdings exceeding 10% are risk weighted and therefore not deducted from total capital.

Cash Flow Statement – Sydbank Group

DKKm	1H 2014	Full year 2013	1H 2013
Operating activities			
Pre-tax profit for the period	514	171	502
Taxes paid	(48)	(199)	(40)
Adjustment for non-cash operating items	492	1,943	741
Cash flows from working capital	(927)	(1,564)	(523)
Cash flows from operating activities	31	351	680
Investing activities			
Purchase of DiBa	0	(479)	0
Purchase and sale of holdings in associates	1	2	(1)
Purchase and sale of property, plant and equipment	18	(37)	(8)
Cash flows from investing activities	19	(514)	(9)
Financing activities			
Purchase and sale of own holdings	(5)	44	53
Dividend etc	(4)	(7)	(7)
Raising of subordinated capital	(411)	0	(1)
Issue of bonds	(2,719)	2,470	(212)
Cash flows from financing activities	(3,139)	2,507	(167)
Cash flows for the period	(3,089)	2,344	504
Cash and cash equivalents at 1 Jan	4,949	2,605	2,605
Cash flows for the period	(3,089)	2,344	504
Total cash and cash equivalents at end of period	1,860	4,949	3,109

Segment Statements – Sydbank Group

DKKm	Banking	Asset Management	Sydbank Markets	Treasury	Other	Total
Business segments – 1H 2014						
Core income	2,002	83	46	-	-	2,131
Trading income	-	-	152	-	-	152
Total income	2,002	83	198	-	-	2,283
Costs, core earnings	1,243	30	66	-	26	1,365
Impairment of loans and advances etc	430	-	-	-	-	430
Core earnings	329	53	132	-	(26)	488
Investment portfolio earnings	-	-	-	64	(27)	37
Profit before non-recurring items and industry solutions	329	53	132	64	(53)	525
Non-recurring items, net	108	-	-	-	-	108
Contributions to industry solutions	-	-	-	-	1	1
Profit before tax	437	53	132	64	(54)	632

DKKm	Banking	Asset Management	Sydbank Markets	Treasury	Other	Total
Business segments – 1H 2013						
Core income	1,922	82	48	-	-	2,052
Trading income	-	-	161	-	-	161
Total income	1,922	82	209	-	-	2,213
Costs, core earnings	1,183	29	75	-	23	1,310
Impairment of loans and advances etc	674	-	-	-	-	674
Core earnings	65	53	134	-	(23)	229
Investment portfolio earnings	(5)	-	-	289	-	284
Profit before non-recurring items and industry solutions	60	53	134	289	(23)	513
Non-recurring items, net	-	-	-	-	-	-
Contributions to industry solutions	-	-	-	-	11	11
Profit before tax	60	53	134	289	(34)	502

Holdings in Subsidiaries and Associates etc

DKKkm	Activity	Owner- ship share (%)	Share- holders' equity (DKKkm)	Total assets	Total liabilities	Sydbank Group	
						Income	Result
Consolidated subsidiaries							
DiBa A/S	Investment and finance	99	184	4,734	4,550	267	(238)
Heering Huse ApS	Real property	100	(14)	11	25	(1)	(18)
Sydbank (Schweiz) AG, in Liquidation, St. Gallen, Switzerland	Banking	100	214	225	11	0	(6)
Ejendomsselskabet af 1. juni 1986 A/S, Aabenraa	Real property	100	20	185	165	9	4
Associates							
Foreningen Bankdata, Fredericia	IT	32	509	649	140	1,136	25
Core Property Management A/S, Copenhagen	Real property	20	27	30	3	28	11
Other enterprises in which the Group owns more than 10% of the share capital							
PRAS A/S, Copenhagen	Investment and finance	14	1,877	3,178	1,301	65	91
ValueInvest Asset Management S.A., Luxembourg	Investment and finance	18	101	110	9	100	62
BI Holding A/S, Copenhagen	Investment and finance	14	368	411	43	124	80
D.A.R.T. Limited, Cayman Islands	Investment and finance	42	31	31	0	2	33

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

Notes



Note 1

Accounting policies

The Interim Report is prepared in compliance with IAS 34 “Interim Financial Reporting” as adopted by the EU and in compliance with additional Danish disclosure requirements for interim reports. As a result of the use of IAS 34, the presentation is less complete compared with the presentation of an annual report and the recognition and measurement principles are in compliance with IFRS.

As from 1 January 2014 the Group has implemented IFRS 10, 11 and 12.

None of the implemented amendments have had any impact on recognition or measurement.

Apart from the above the accounting policies are consistent with those adopted in the 2013 Annual Report, to which reference is made.

The 2013 Annual Report provides a comprehensive description of the accounting policies applied.

The measurement of certain assets and liabilities requires managerial estimates as to how future events will affect the value of such assets and liabilities. The significant estimates made by management in the use of the Group’s accounting policies and the inherent considerable uncertainty of such estimates used in the preparation of the condensed interim report are identical to those used in the preparation of the annual report as at 31 December 2013.

The Group’s significant risks and the external elements which may affect the Group are described in greater detail in the 2013 Annual Report.

Notes

DKKm	Sydbank Group		Sydbank A/S	
	1H 2014	1H 2013	1H 2014	1H 2013
Note 2				
Interest income				
Reverse transactions with credit institutions and central banks	(2)	(2)	(2)	(2)
Amounts owed by credit institutions and central banks	9	10	9	10
Reverse loans and advances	3	4	3	4
Loans and advances and other amounts owed	1,478	1,530	1,480	1,531
Bonds	244	264	244	264
Derivatives	(67)	(2)	(67)	(2)
comprising:				
Foreign exchange contracts	62	42	62	42
Interest rate contracts	(129)	(44)	(129)	(44)
Other contracts	0	0	0	0
Other interest income	(3)	0	(3)	0
Total	1,662	1,804	1,664	1,805
Note 3				
Interest expense				
Repo transactions with credit institutions and central banks	7	6	7	6
Credit institutions and central banks	27	32	27	32
Repo deposits	0	0	0	0
Deposits and other debt	221	214	223	214
Bonds issued	44	44	44	44
Subordinated capital	19	13	14	13
Other interest expense	1	0	1	0
Total	319	309	316	309
Note 4				
Fee and commission income				
Securities trading and custody accounts	449	417	449	417
Payment services	137	118	137	118
Loan fees	49	44	49	44
Guarantee commission	61	49	61	49
Other fees and commission	155	111	155	111
Total	851	739	851	739

Notes

DKKkm	Sydbank Group		Sydbank A/S	
	1H 2014	1H 2013	1H 2014	1H 2013
Note 5				
Market value adjustments				
Other loans and advances and amounts owed at fair value	0	1	0	1
Bonds	336	97	336	97
Shares etc	224	38	224	38
Investment property	1	(1)	1	(1)
Foreign exchange	76	74	76	74
Total derivatives	(295)	136	(295)	136
Assets related to pooled plans	515	(121)	515	(121)
Deposits in pooled plans	(515)	121	(515)	121
Other assets/liabilities	1	(1)	1	(1)
Total	343	344	343	344
Note 6				
Staff costs and administrative expenses				
Salaries and remuneration				
Group Executive Management	6	6	6	6
Board of Directors	2	2	2	2
Shareholders' Committee	1	1	1	1
Total	9	9	9	9
Staff costs				
Wages and salaries	638	589	638	589
Pensions	65	62	65	62
Social security contributions	8	8	8	8
Payroll tax etc	68	64	68	64
Total	779	723	779	723
Other administrative expenses:				
IT	284	269	283	268
Rent etc	74	66	80	71
Marketing and entertainment expenses	41	46	41	46
Other costs	110	85	109	85
Total	509	466	513	470
Total	1,297	1,198	1,301	1,202
Note 7				
Staff				
Average number of staff (full-time equivalent)	2,243	2,141	2,243	2,141

Notes

DKKm	Sydbank Group		Sydbank A/S	
	1H 2014	1H 2013	1H 2014	1H 2013
Note 8				
Other operating expenses				
Contributions to the Guarantee Fund for Depositors and Investors	61	64	61	64
Other expenses	0	0	0	0
Total	61	64	61	64
Note 9				
Impairment of loans and advances recognised in the income statement				
Impairment and provisions	459	593	459	593
Write-offs	25	116	25	116
Recovered from debt previously written off	42	35	42	35
Impairment of loans and advances etc	442	674	442	674
Impairment and provisions at end of period				
Individual impairment and provisions	4,454	3,169	4,454	3,169
Collective impairment and provisions	150	176	150	176
Impairment and provisions at end of period	4,604	3,345	4,604	3,345
Individual impairment of loans and advances and provisions for guarantees				
Impairment and provisions at 1 Jan	4,164	2,834	4,164	2,834
Exchange rate adjustment	0	0	0	0
Impairment and provisions during the period	529	661	529	661
Write-offs covered by impairment and provisions	239	326	239	326
Impairment and provisions at end of period	4,454	3,169	4,454	3,169
Individual impairment of loans and advances	4,347	3,090	4,347	3,090
Individual provisions for guarantees	107	79	107	79
Impairment and provisions at end of period	4,454	3,169	4,454	3,169
Collective impairment of loans and advances and provisions for guarantees				
Impairment and provisions at 1 Jan	137	184	137	184
Impairment and provisions during the period	13	(8)	13	(8)
Impairment and provisions at end of period	150	176	150	176
Sum of loans and advances and amounts owed subject to collective impairment and provisions	4,947	10,706	4,947	10,706
Collective impairment and provisions	150	176	150	176
Loans and advances and amounts owed after collective impairment and provisions	4,797	10,530	4,797	10,530
Individual impairment of loans and advances subject to objective evidence of impairment				
Balance before impairment of individually impaired loans and advances	7,481	5,909	7,481	5,909
Impairment of individually impaired loans and advances	4,347	3,090	4,347	3,090
Balance after impairment of individually impaired loans and advances	3,134	2,819	3,134	2,819
Accrued interest concerning individually and collectively impaired loans and advances represents	316	427	316	427

Notes

Industry	Sydbank Group							
	Loans/advances and guarantees		Impairment and provisions		Impairment of loans and advances etc for the period		Loss for the period	
	30 Jun 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013	1H 2014	1H 2013	1H 2014	1H 2013
DKKkm								
Note 9 – continued								
Loans and advances and guarantees as well as impairment charges for loans and advances etc by industry								
Agriculture, hunting, forestry and fisheries	7,006	7,059	1,040	988	8	83	28	57
<i>Pig farming</i>	2,146	2,119	309	245	33	(6)	1	0
<i>Cattle farming</i>	2,105	2,134	540	586	(50)	64	17	46
<i>Crop production</i>	1,505	1,451	59	40	15	5	-	-
<i>Other agriculture</i>	1,250	1,355	132	117	10	20	10	11
Manufacturing and extraction of raw materials	7,053	6,685	211	241	1	37	37	25
Energy supply	3,012	2,910	39	18	17	3	-	-
Building and construction	3,382	3,180	157	159	13	28	16	32
Trade	11,996	10,734	518	441	74	39	23	32
Transportation, hotels and restaurants	3,081	3,037	63	72	(1)	24	9	10
Information and communication	510	447	12	9	3	6	0	0
Finance and insurance	6,195	6,612	384	368	46	73	6	119
Real property	8,203	8,965	857	648	227	101	45	68
<i>Leasing of commercial property</i>	3,700	3,743	313	242	76	74	17	26
<i>Leasing of residential property</i>	2,134	2,179	335	258	95	39	12	10
<i>Housing associations and cooperative housing associations</i>	1,117	1,467	-	-	-	-	-	-
<i>Purchase, development and sale on own account</i>	851	1,150	170	124	46	10	10	26
<i>Other related to real property</i>	401	426	39	24	10	(22)	6	6
Other corporate lending	3,390	3,457	167	185	9	34	31	16
Total corporate lending	53,828	53,086	3,448	3,129	397	428	195	359
Public authorities	1,073	1,118	-	-	-	-	-	-
Retail clients	26,376	25,300	1,006	1,035	32	254	69	83
Collective impairment charges	-	-	150	137	13	(8)	-	-
Total	81,277	79,504	4,604	4,301	442	674	264	442

Notes

DKKm	Sydbank Group		Sydbank A/S	
	1H 2014	1H 2013	1H 2014	1H 2013
Note 10				
Profit on holdings in associates and subsidiaries				
Profit on holdings in associates etc	8	1	8	1
Profit on holdings in subsidiaries etc	-	-	(2)	-
Total	8	1	6	1
Note 11				
Effective tax rate				
Current tax rate of Sydbank	24.5	25.0	24.5	25.0
Reduction in corporation tax rate	-	(1.7)	-	(1.7)
Permanent differences*	(5.7)	-	(5.7)	-
Adjustment of prior year tax charges	-	0.2	-	0.2
Effective tax rate	18.8	23.5	18.8	23.5
* Permanent differences comprise a tax-free gain on shares of DKK148m relating to the sale of Nets.				
Note 12				
Amounts owed by credit institutions and central banks				
Amounts owed at notice by central banks	-	-	-	-
Amounts owed by credit institutions	7,164	8,800	7,164	8,748
Total	7,164	8,800	7,164	8,748
Of which reverse transactions	5,867	6,701	5,867	6,701
Note 13				
Other assets				
Positive market value of derivatives etc	10,016	9,028	10,016	9,020
Sundry debtors	439	419	436	401
Interest and commission receivable	375	407	373	382
Cash collateral provided, CSA agreements	2,687	2,194	2,687	2,194
Other assets	0	1	0	1
Total	13,517	12,049	13,512	11,998
Note 14				
Amounts owed to credit institutions and central banks				
Amounts owed to central banks	110	59	110	59
Amounts owed to credit institutions	28,635	30,960	29,167	31,129
Total	28,745	31,019	29,277	31,188
Of which repo transactions	14,828	18,913	14,828	18,913

Notes

DKKkm	Sydbank Group		Sydbank A/S	
	30 Jun 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013
Note 15				
Deposits and other debt				
On demand	57,880	53,806	57,880	51,342
At notice	349	363	349	363
Time deposits	9,212	8,652	9,212	8,159
Special categories of deposits	6,516	7,206	6,516	6,294
Total	73,957	70,027	73,957	66,158
Of which repo transactions	699	-	699	-
Note 16				
Other liabilities				
Negative market value of derivatives etc	10,340	9,340	10,340	9,321
Sundry creditors etc	1,478	1,863	1,476	1,797
Negative portfolio, reverse transactions	5,190	6,233	5,190	6,233
Interest and commission etc	217	73	217	69
Cash collateral received, CSA agreements	798	513	798	513
Total	18,023	18,022	18,021	17,933
Note 17				
Provisions				
Provisions for pensions and similar obligations	4	4	4	4
Provisions for deferred tax	-	-	29	29
Provisions for guarantees	107	106	107	105
Other provisions *	59	40	49	23
Total	170	150	189	161

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

Notes

DKK m					Sydbank Group		Sydbank A/S	
			30 Jun	31 Dec	30 Jun	31 Dec	2014	2013
Note 18								
Subordinated capital								
Interest rate	Note	Nominal (m)	Maturity					
Redeemed loans		-	-	-	250	-	-	
Total Tier 2 capital					-	250	-	-
Redeemed loans		-	-	-	161	-	-	
1.43 (floating)	1)	Bond loan	EUR 100	Perpetual	743	743	743	743
1.81 (floating)	2)	Bond loan	EUR 75	Perpetual	557	558	557	558
6.36 (fixed)	3)	Bond loan	DKK 85	Perpetual	85	85	85	85
Total additional Tier 1 capital					1,385	1,547	1,385	1,386
Total subordinated capital					1,385	1,797	1,385	1,386
1) Optional redemption on 25 April 2017 after which the interest rate will be fixed at 2.10% above 3-month EURIBOR.								
2) Optional redemption on 24 November 2014 after which the interest rate will remain unchanged.								
3) Optional redemption on 14 May 2017 after which the interest rate will be fixed at 1.75% above 3-month CIBOR.								
Costs relating to the raising and redemption of subordinated capital					0	0	0	0
Note 19								
Contingent liabilities and other obligating agreements								
Contingent liabilities								
Financial guarantees					3,450	3,548	3,450	3,205
Mortgage finance guarantees					2,207	1,701	2,207	1,501
Registration and remortgaging guarantees					1,866	1,838	1,866	1,838
Other contingent liabilities					1,600	1,630	1,600	1,630
Total					9,123	8,717	9,123	8,174
Other obligating agreements								
Irrevocable credit commitments					415	447	415	447
Other liabilities *					65	61	82	81
Total					480	508	497	528
* Including intra-group liabilities in relation to rented premises					-	-	18	22

Totalkredit loans arranged by Sydbank are comprised by an agreed right of set-off against future current commission which Totalkredit may invoke in the event of losses on the loans arranged.

Sydbank does not expect that this set-off will have a significant impact on Sydbank's financial position.

As a result of the Bank's membership of Bankdata, the Bank will be obligated to pay an exit charge in the event of exit.

As a result of participation in the statutory depositors' guarantee scheme the industry pays an annual contribution of 2.55% of covered net deposits. Payment to the Banking Department will continue until the department's assets exceed 1% of total covered net deposits. The Banking Department will cover the direct losses in connection with the winding-up of distressed financial institutions under Bank Package III and Bank Package IV which concern covered net deposits.

Notes

DKK m	Sydbank Group		Sydbank A/S	
	30 Jun 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013

Note 19 – continued

Any losses as a result of final winding-up will be covered by the Deposit Guarantee Fund via the Winding-up and Restructuring Department as regards which Sydbank is currently liable for 5.2% of any losses.

Sydbank has paid damages to former minority shareholders of bankTrelleborg. This settlement finally decides the claims raised against Sydbank as a result of Sydbank's acquisition of bankTrelleborg in 2008. Sydbank has made a settlement with Fonden for bankTrelleborg which has paid DKK 94.5m to Sydbank. This finally settles the fund's liability to Sydbank as a result of inadequacies in the prospectus of bankTrelleborg.

The prospectus of bankTrelleborg was prepared with the assistance of professional advisers and prospectus liability insurance had been taken out for DKK 50m. Sydbank has set up claims against these parties. The claim against the insurance company has been brought before the arbitration tribunal. It is Sydbank's assessment of its legal position that the Bank will recover the full amount of damages which it has paid in accordance with the settlement with the minority shareholders.

Moreover 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 20

Repo and reverse transactions

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.

In connection with reverse transactions, which involve buying securities to be resold at a later date, the Group is entitled to sell the securities 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".

Assets sold as part of repo transactions

Bonds at fair value	15,653	19,200	15,653	19,200
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Assets purchased as part of reverse transactions

Bonds at fair value	11,470	11,450	11,470	11,450
Shares etc	-	2	-	2

Note 21

Collateral

At 30 June 2014 the Group had deposited as collateral securities at a market value of DKK 510m with Danish and foreign exchanges and clearing centres etc in connection with margin calls and securities settlements etc.

At 30 June 2014 the Group had deposited as collateral cash amounting to DKK 124m with KfW (Kreditanstalt für Wiederaufbau).

Note 22

Related parties

Sydbank is the bank of a number of related parties. Transactions with related parties are settled on an arm's length basis.

No unusual transactions took place with related parties in 1H 2014. Reference is made to the Group's 2013 Annual Report for a detailed description of related party transactions.

Notes

DKKkm	Sydbank Group			
	1H 2014	1H 2013	Index 14/13	Full year 2013

Note 23

Reporting events occurring after the balance sheet date

After the expiry of 1H, no matters of significant impact on the financial position of the Sydbank Group have occurred.

Note 24

Large shareholders

Silchester International Investors LLP owns more than 10% of Sydbank's share capital.

Note 25

Core income

Net interest etc	1,249	1,307	96	2,568
Mortgage credit *	172	130	132	264
Payment services	108	81	133	167
Remortgaging and loan fees	48	44	109	88
Commission and brokerage	171	168	102	320
Commission etc investment funds and pooled pension plans	167	165	101	322
Asset management	87	83	105	164
Custody account fees	42	40	105	79
Other income	87	34	256	86
Total	2,131	2,052	104	4,058

* Mortgage credit

Totalkredit cooperation	137	114	121	237
Totalkredit, set-off of loss	15	11	145	28
Totalkredit cooperation, net	122	103	118	209
DLR Kredit	43	26	165	51
Other mortgage credit income	7	1	-	4
Total	172	130	132	264

Notes

30 Jun 2014				Number of full-time staff
DKKkm			Turnover	

Note 26

Activity by country

Denmark, banking and leasing	2,431	2,102
Germany, banking	97	85
Switzerland, in liquidation	0	-
Total	2,528	2,187

Turnover is defined as interest income, fee and commission income and other operating income.

Note 27

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.

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 unobservable inputs below and include unlisted shares and certain bonds, including CDOs, for which there is no active market.

A 10% change in the calculated market value of financial assets measured on the basis of unobservable inputs will affect profit before tax by DKK 156m.

30 Jun 2014				Sydbank Group	
DKKkm	Quoted prices	Observable inputs	Unobservable inputs	Total fair value	Recognised value
Financial assets					
Amounts owed by credit institutions and central banks	-	5,867	-	5,867	5,867
Loans and advances at fair value	-	5,671	-	5,671	5,671
Bonds at fair value	-	38,142	-	38,142	38,142
Shares etc	163	17	1,564	1,744	1,744
Assets related to pooled plans	3,774	6,858	-	10,632	10,632
Other assets	22	10,335	-	10,357	10,357
Total	3,959	66,890	1,564	72,413	72,413
Financial liabilities					
Amounts owed to credit institutions and central banks	-	14,828	-	14,828	14,828
Deposits and other debt	-	699	-	699	699
Deposits in pooled plans	-	10,636	-	10,636	10,636
Other liabilities	29	15,501	-	15,530	15,530
Total	29	41,664	-	41,693	41,693

Notes

Sydbank Group

DKKm

30 Jun 2014

Note 27 – continued

Assets measured on the basis of unobservable inputs

Carrying amount at 1 Jan	1,357
Additions	31
Disposals	3
Market value adjustment	179
Value at end of period	1,564

Recognised in profit for the period

Interest income	-
Dividends	33
Market value adjustment	179
Total	212

Management Statement

We have reviewed and approved the Interim Report – First Half 2014 of Sydbank A/S.

The consolidated interim financial statements are prepared in accordance with IAS 34 “Interim Financial Reporting” as approved by the EU. Furthermore the interim financial statements (of the parent company) are prepared in compliance with Danish disclosure requirements for interim reports of listed financial companies.

The Interim Report has not been audited or reviewed.

In our opinion the interim 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 30 June 2014 and of the results of the Group’s and the parent company’s operations and consolidated cash flows for the period 1 January – 30 June 2014. 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.

Aabenraa, 20 August 2014

Executive Management

Karen Frøsig
CEO

Bjarne Larsen

Jan Svarre

Board of Directors

Anders Thoustrup
Chairman

Torben Nielsen
Vice-Chairman

Svend Erik Busk

Peder Damgaard

Alex Slot Hansen

Erik Bank Lauridsen

Jacob Chr. Nielsen

Susanne Beck Nielsen

Jarl Oxlund

Margrethe Weber

Supplementary Information

Financial calendar

In 2014 the Group's preliminary announcement of financial statements will be released as follows:

– Interim Report – Q1-Q3 2014
28 October 2014

Sydbank contacts

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Relevant links

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For further information reference is made to Sydbank's 2013 Annual Report at sydbank.com.