



Interim Report - Q1-Q3 2014

Sydbank Group

Sydbank

Sydbank's Interim Report – Q1-Q3 2014

Sydbank's plan to increase profitability is generating results

CEO Karen Frøsig comments on the interim financial statements:

- Q3 performance shows that Sydbank's plan to increase profitability is working. Costs are falling, income is growing and at the same time credit quality is improving. Consequently we will continue to proceed as planned.
- I am proud as well as happy and humble that again this year Sydbank has the most satisfied customers among the major banks. Our efforts are focused on building strong relationships and being available when our customers need us to be. This is appreciated by our customers as seen in the annual Aalund satisfaction survey of corporate clients and the annual EPSI satisfaction survey of retail clients.

Q1-Q3 results – highlights

- Core income has risen by 6% to DKK 3,225m compared to the first nine months of 2013.
- Deposits as well as loans and advances have gone up during the period. In 2014 loans and advances have grown by 2% in a market where competition for clients is very intense.
- Sydbank continues to see an influx of new clients and customer satisfaction remains very high, both as regards retail clients and corporate clients.
- Impairment charges for loans and advances have declined by 43%.
- Costs (core earnings) have increased as a result of the acquisition of DiBa Bank.
- Profit before tax equals a return of 13.1% p.a. on average shareholders' equity.
- Profit for the period amounts to DKK 828m compared with DKK 469m in 2013. The result for the period is the best result since 2007.

Progress was particularly remarkable in Q3 when Sydbank recorded its best quarterly result in more than six years, namely DKK 314m. Impairment charges for the quarter of DKK 129m have been maintained at a low level.

Outlook for 2014

Sydbank continues to project rising core income and trading income. Costs (core earnings) are still expected to increase as a result of the acquisition of DiBa Bank. Impairment charges for loans and advances of around DKK 700-800m are projected. Integration and restructuring costs are still forecast to total around DKK 75m.

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Group Financial Highlights

	Q1-Q3 2014	Q1-Q3 2013	Index 14/13	Q3 2014	Q3 2013	Full year 2013
Income statement (DKKm)						
Core income	3,225	3,047	106	1,094	995	4,058
Trading income	205	192	107	53	31	229
Total income	3,430	3,239	106	1,147	1,026	4,287
Costs, core earnings	1,986	1,914	104	621	604	2,514
Core earnings before impairment	1,444	1,325	109	526	422	1,773
Impairment of loans and advances etc	559	973	57	129	299	1,861
Core earnings	885	352	251	397	123	(88)
Investment portfolio earnings	81	277	29	44	(7)	319
Profit before non-recurring items	966	629	154	441	116	231
Non-recurring items, net	84	(13)	-	(23)	(2)	(60)
Profit before tax	1,050	616	170	418	114	171
Tax	222	147	151	104	29	(16)
Profit for the period	828	469	177	314	85	187
Balance sheet highlights (DKKbn)						
Loans and advances at amortised cost	68.0	67.4	101	68.0	67.4	66.6
Loans and advances at fair value	5.1	4.6	111	5.1	4.6	4.9
Deposits and other debt	73.0	68.1	107	73.0	68.1	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	11.1	10.6	105	11.1	10.6	10.2
Total assets	148.2	144.5	103	148.2	144.5	147.9
Financial ratios per share (DKK per share of DKK 10)						
EPS Basic **	11.3	6.4		4.3	1.2	2.5
EPS Diluted **	11.3	6.4		4.3	1.2	2.5
Share price at end of period	179.6	143.8		179.6	143.8	144.0
Book value	151.0	143.8		151.0	143.8	139.7
Share price/book value	1.19	1.00		1.19	1.00	1.03
Average number of shares outstanding (in millions)	73.3	73.3		73.2	73.6	73.4
Dividend per share	-	-		-	-	-
Other financial ratios and key figures						
Total capital ratio	17.0	16.9		17.0	16.9	15.7
Tier 1 capital ratio	16.4	16.5		16.4	16.5	15.3
Common equity Tier 1 capital ratio	14.8	14.8		14.8	14.8	13.4
Pre-tax profit as % of average shareholders' equity **	9.9	6.0		3.8	1.1	1.7
Post-tax profit as % of average shareholders' equity **	7.8	4.6		2.9	0.8	1.8
Costs (core earnings) as % of total income	57.9	59.1		54.1	58.9	58.6
Interest rate risk	0.5	0.0		0.5	0.0	0.6
Foreign exchange position	4.5	2.9		4.5	2.9	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 *	6.1	6.4		6.1	6.4	6.5
Growth in loans and advances for the period *	2.1	(1.1)		0.5	(0.6)	(2.3)
Excess cover relative to statutory liquidity requirements	177.3	200.3		177.3	200.3	179.8
Total large exposures	37.9	22.2		37.9	22.2	25.8
Accumulated impairment ratio	5.4	4.4		5.4	4.4	5.4
Impairment ratio for the period **	0.68	1.24		0.16	0.38	2.34
Number of full-time staff at end of period	2,142	2,078	103	2,142	2,078	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

Best result since 2007

Sydbank's financial statements for Q1-Q3 show a pre-tax profit of DKK 1,050m compared with DKK 616m one year ago. The improvement is due to rising core income, lower impairment charges and one-off income. Profit before tax equals a return of 13.1% p.a. on average shareholders' equity. The result is in line with the expectations presented in the 2013 financial statements.

Profit for the period amounts to DKK 828m compared with DKK 469m in 2013 – the best 9M result since 2007.

Increased profitability

The plan to increase the Bank's profitability is progressing as planned. Based on Sydbank's high customer 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.

During 2014 Sydbank has undertaken a number of initiatives aimed at strengthening core income and reducing costs. In addition there continues to be strong focus on improving credit quality.

Q1-Q3 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 178m or approx 6% to DKK 3,225m following a rise in income from mortgage credit, payment services and other income items.

Trading income has gone up by DKK 13m compared with one year ago.

Total income has increased by DKK 191m or 6% compared with Q1-Q3 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 first nine months which show a declining trend – excluding DiBa Bank.

The Group's impairment charges for loans and advances:

- have declined by DKK 414m to DKK 559m compared with Q1-Q3 2013
- represent DKK 129m in Q3 2014 – a continuation of the low level from Q2
- 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 533m to DKK 885m compared with DKK 352m in Q1-Q3 2013. The improvement is mainly attributable to a decrease in impairment charges for loans and advances as well as a rise in core income.

Together the Group's position-taking and liquidity handling generated investment portfolio earnings of DKK 81m in Q1-Q3 2014 compared with DKK 277m a year ago.

Profit before tax rose to DKK 1,050m in Q1-Q3 2014 compared to DKK 616m in the same period in 2013. DKK 84m of the increase is attributable to non-recurring items. Tax represents DKK 222m. Profit for the period amounts to DKK 828m compared with DKK 469m in 2013. The result for the period is the best result since 2007.

During the year Sydbank has recorded an increase in loans and advances of DKK 1.4bn compared to the level at the turn of the year. This is satisfactory given the highly competitive market. Growth in deposits amounted to DKK 3.0bn during the same period.

The integration of DiBa Bank is progressing as planned. During the year three branches were merged, the IT conversion between Sydbank and DiBa Bank was implemented in Q3 2014 and 19 employees were laid off. Furthermore 41 DiBa employees have left the Group for other reasons. There has been no appreciable loss of DiBa Bank clients.

Continued influx of clients and high customer satisfaction

During the quarter Sydbank recorded a continued influx of new clients. In Q3 2014 Sydbank welcomed approx 7,000 new clients, bringing the number of clients to approx 467,000 at the end of Q3 2014. At the same time Sydbank is very pleased that the Bank has the most satisfied clients among the major

banks. This is documented in the 2014 Aalund satisfaction survey of corporate clients and the 2014 EPSI satisfaction survey of retail clients.

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 still expected 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.

Impairment charges for loans and advances of around DKK 700-800m are projected for the full year.

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

Financial Review – Performance in Q1-Q3 2014

The Sydbank Group has recorded a profit before tax of DKK 1,050m (Q1-Q3 2013: DKK 616m). The performance meets the expectations at the beginning of the year. Profit before tax equals a return of 13.1% p.a. on average shareholders' equity.

Profit for the period amounts to DKK 828m compared with DKK 469m in 2013 – the best 9M result since 2007.

The result is characterised by:

Q1-Q3

- 6% rise in core income despite a decline in net interest etc of almost 3%
- 7% rise in trading income
- Increase in costs (core earnings) as a result of the acquisition of DiBa
- 43% decline in impairment charges for loans and advances
- Rise in core earnings of DKK 533m to DKK 885m
- Investment portfolio earnings of DKK 81m
- Net income from non-recurring items of DKK 84m
- Bank loans and advances of DKK 68.0bn (year-end 2013: DKK 66.6bn)
- Bank deposits of DKK 73.0bn (year-end 2013: DKK 70.0bn)
- Total capital ratio of 17.0%, including a common equity Tier 1 capital ratio of 14.8%
- Unchanged individual solvency need of 10.0% compared to year-end 2013.

Q3

- Impairment charges for loans and advances of DKK 129m – a continuation of the low level from Q2
- Profit for the period amounts to DKK 314m – the best result in more than six years.

Income statement – Q1-Q3 (DKKm)	2014	2013
Core income	3,225	3,047
Trading income	205	192
Total income	3,430	3,239
Costs, core earnings	1,986	1,914
Core earnings before impairment	1,444	1,325
Impairment of loans and advances etc	559	973
Core earnings	885	352
Investment portfolio earnings	81	277
Profit before non-recurring items	966	629
Non-recurring items, net	84	(13)
Profit before tax	1,050	616
Tax	222	147
Profit for the period	828	469

Core income

Total core income has increased by DKK 178m to DKK 3,225m.

Net interest has decreased by DKK 49m to DKK 1,890m due in part to a decline in interest margins. Net income from the cooperation with Totalkredit represents DKK 189m (2013: DKK 150m) after a set-off of loss of DKK 24m (2013: DKK 22m). The cooperation with DLR Kredit has generated an income of DKK 62m (2013: DKK 39m). Total mortgage credit income has gone up by DKK 71m to DKK 262m compared to 2013 – an increase of 37%.

Income from payment services has increased by DKK 42m to DKK 165m compared to 2013 – a rise of 34%.

The remaining income components have risen by DKK 114m compared to 2013, equivalent to 14%.

Core income – Q1-Q3 (DKKm)	2014	2013
Net interest etc	1,890	1,939
Mortgage credit	262	191
Payment services	165	123
Remortgaging and loan fees	81	66
Commission and brokerage	253	241
Commission etc investment funds and pooled pension plans	259	242
Asset management	132	125
Custody account fees	61	57
Other income	122	63
Total	3,225	3,047

Trading income

Trading income has gone up by DKK 13m to DKK 205m. Developments are characterised by increasing equities turnover with clients and declining trading in mortgage bonds.

Costs and depreciation

The Group's costs and depreciation totalled DKK 2,052m, equal to an increase of DKK 120m compared with 2013.

Costs and depreciation – Q1-Q3 (DKKm)	2014	2013
Staff costs	1,151	1,058
Other administrative expenses	739	696
Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	70	87
Other operating expenses	92	91
Total costs and depreciation	2,052	1,932
Distributed as follows:		
Costs, core earnings	1,986	1,914
Costs, investment portfolio earnings	5	5
Costs, non-recurring items	61	13

Costs (core earnings) represent DKK 1,986m compared with DKK 1,914m in 2013. This development can be attributed to the acquisition of DiBa Bank.

At the end of Q3 2014 the Group's staff numbered 2,142 (full-time equivalent) compared with 2,078 at 30 September 2013.

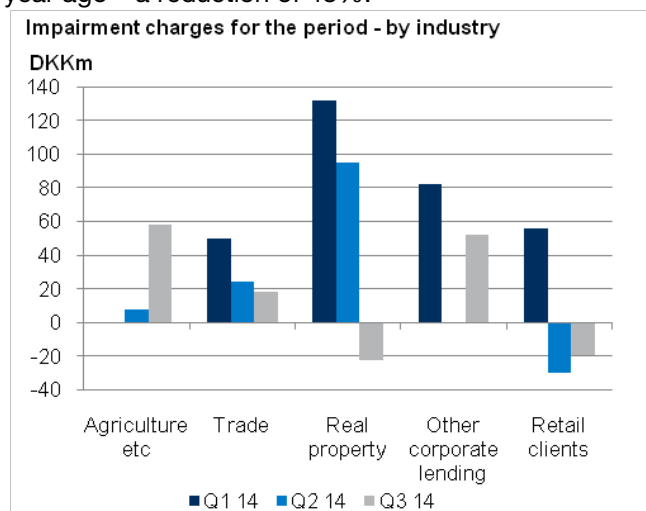
As a consequence of the Bank's ongoing adjustment of its service concept and its efforts to reduce costs (core earnings), eight small branches were closed during the first nine months of 2014. Moreover three branches were amalgamated in connection with the integration of DiBa Bank. This brings the number of branches to 86 in Denmark and three in Germany after the former branches in Wiesbaden and Berlin were amalgamated with the Hamburg branch.

Core earnings before impairment

Core earnings before impairment charges for loans and advances represent DKK 1,444m – an increase of DKK 119m compared with one year ago.

Impairment charges for loans and advances etc

Impairment charges for loans and advances constitute DKK 559m compared with DKK 973m one year ago – a reduction of 43%.



The chart above shows impairment charges for loans and advances in Q1-Q3 as regards agriculture, trade, real property, other corporate lending as well as retail clients.

In Q2 the impairment charges for agriculture were positively affected by DKK 86m due to rising prices of agricultural land and adversely affected by DKK 56m due to adjusted valuation of the agricultural sector's other assets. In Q3 impairment charges for agriculture were adversely affected by the trend in settlement prices as well as other factors.

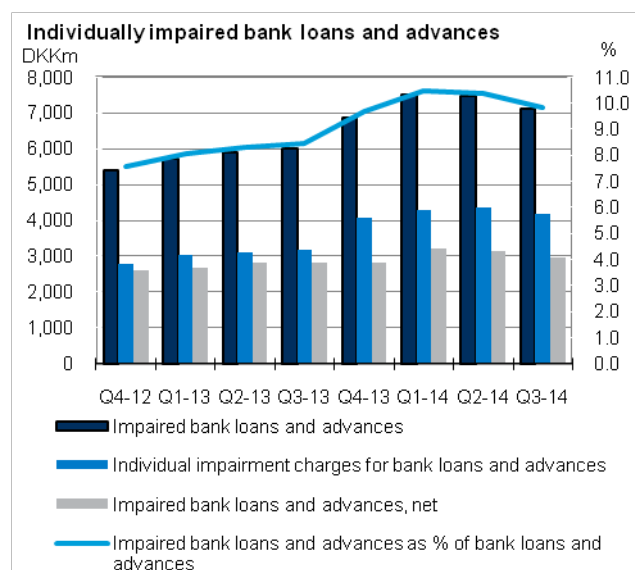
Impairment charges for trade show a falling trend during the period.

Impairment charges for real property are positively affected by a net reversal of impairment charges in Q3.

In Q2 and Q3 impairment charges for retail clients are positively affected by DKK 30m and DKK 19m, respectively, as regards net reversals.

In Q3 collective impairment charges are negatively affected partly by adjustments of DKK 24m as a result of the Asset Quality Review conducted and partly by previous events related to agriculture amounting to DKK 25m.

The impairment ratio represents 0.76% relative to bank loans and advances and 0.68% relative to bank loans and advances and guarantees at 30 September 2014. At end-September 2014 accumulated impairment and provisions amount to DKK 4,469m – a rise of DKK 169m compared with the beginning of the year.



Compared with 30 September 2013, impaired bank loans and advances before impairment charges have increased by DKK 1,131m to DKK 7,128m, equivalent to 19%.

DKK 755m of the increase is attributable to non-defaulted bank loans and advances and DKK 376m is attributable to defaulted bank loans and advances. During the same period individually impaired bank loans and advances after impairment charges rose by DKK 160m, equal to 6%. Impairment charges for bank loans and advances subject to individual impairment represent 58.4% (end-September 2013: 53.3% and year-end 2013: 59.1%).

In Q1-Q3 2014 reported losses amount to DKK 586m (Q1-Q3 2013: DKK 657m). Of the reported losses DKK 465m has previously been written down.

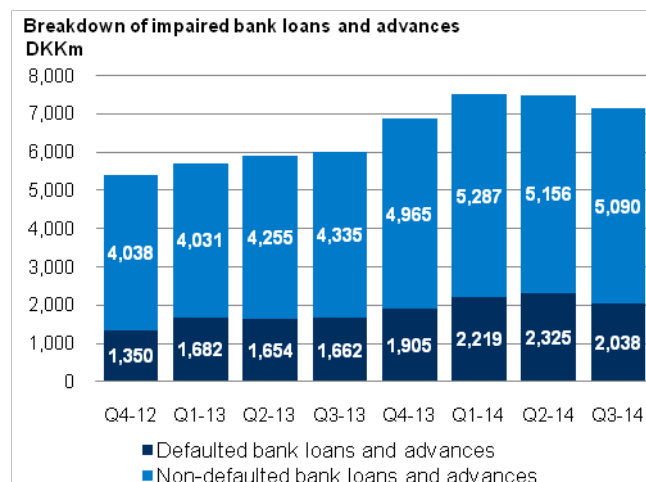
Individually impaired bank loans and advances (DKK m)	30 Sep 2014	31 Dec 2013	30 Sep 2013
Non-defaulted bank loans and advances	5,090	4,965	4,335
Defaulted bank loans and advances	2,038	1,905	1,662
Impaired bank loans and advances	7,128	6,870	5,997
Impairment charges for bank loans and advances subject to individual impairment	4,166	4,058	3,195
Impaired bank loans and advances after impairment charges	2,962	2,812	2,802
Impaired bank loans and advances as % of bank loans and advances before impairment charges	9.9	9.7	8.5
Impairment charges as % of bank loans and advances before impairment charges	5.8	5.7	4.5
Impairment as % of impaired bank loans and advances	58.4	59.1	53.3
Impairment charges as % of defaulted bank loans and advances	204.4	213.0	192.2

Impairment charges as a percentage of defaulted bank loans and advances at 30 September 2014 stand at 204.4.

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 376m since 30 September 2013 whereas non-defaulted bank loans and advances have gone up by DKK 755m.

From Q2 to Q3 2014 defaulted bank loans and advances have declined by DKK 287m to DKK 2,038m, equal to a reduction of 12%.



Core earnings

Core earnings represent DKK 885m – an increase of DKK 533m or 151% compared with one year ago.

Investment portfolio earnings

Together the Group's position-taking and liquidity handling generated earnings of DKK 81m in Q1-Q3 2014 compared with DKK 277m a year ago.

Investment portfolio earnings – Q1-Q3 (DKK m)	2014	2013
Position-taking	82	236
Liquidity generation and liquidity reserves	29	43
Strategic positions	(25)	3
Costs	(5)	(5)
Total	81	277

In Q2 earnings were adversely affected by strategic positions (minus DKK 27m), partly as a result of the write-down of Additional Tier 1 capital and the sale of the Group's portfolio of mortgages.

Margin expenses as regards the Group's senior issues are included under liquidity generation and liquidity reserves and represent DKK 45m in Q1-Q3 2014 compared to DKK 36m in Q1-Q3 2013.

Non-recurring items, net

Non-recurring items total a net income of DKK 84m (Q1-Q3 2013: minus DKK 13m). This item includes:

- one-off income of DKK 148m from the sale of 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 45m and income of DKK 2m from the sale of subsidiaries
- restructuring costs of DKK 16m
- contributions to industry solutions of DKK 1m (2013: DKK 13m).

Profit for the period (DKK m)	2014				2013		
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Core income	1,094	1,076	1,055	1,011	995	1,016	1,036
Trading income	53	66	86	37	31	75	86
Total income	1,147	1,142	1,141	1,048	1,026	1,091	1,122
Costs, core earnings	621	661	704	600	604	649	661
Core earnings before impairment	526	481	437	448	422	442	461
Impairment of loans and advances etc	129	111	319	888	299	325	349
Core earnings	397	370	118	(440)	123	117	112
Investment portfolio earnings	44	(47)	84	42	(7)	197	87
Profit before non-recurring items	441	323	202	(398)	116	314	199
Non-recurring items, net	(23)	(22)	129	(47)	(2)	4	(15)
Profit before tax	418	301	331	(445)	114	318	184
Tax	104	73	45	(163)	29	71	47
Profit for the period	314	228	286	(282)	85	247	137

Profit for the period

Profit before tax amounts to DKK 1,050m (2013: DKK 616m). Tax represents DKK 222m, equivalent to an effective tax rate of 21.1%. 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 828m compared with DKK 469m in 2013 – the best 9M result since 2007.

Return

Profit for the period equals a return on average shareholders' equity of 10.4% p.a. against 6.0% p.a. in 2013. Earnings per share stand at DKK 11.3 compared with DKK 6.4 in 2013.

Q3 2014

Profit before tax for the quarter represents DKK 418m. Compared with Q2 2014 profit before tax reflects:

- A 1% increase in net interest etc due to an extra day in the quarter
- A rise in core income of DKK 18m
- A decrease in trading income of DKK 13m
- A decline in costs (core earnings) of DKK 40m
- An increase in impairment charges for bank loans and advances of DKK 18m – a continuation of the low level from Q2
- A rise in core earnings of DKK 27m to DKK 397m
- Investment portfolio earnings of DKK 44m (Q2 2014: minus DKK 47m)
- Non-recurring items – charge of DKK 23m (Q2 2014: charge of DKK 22m).

Profit for the period amounts to DKK 314m – the best result in more than six years.

Subsidiaries

Ejendomsselskabet has recorded a profit after tax of DKK 3m compared with DKK 0m in 2013. The consolidated profit after tax in DiBa and Hering Huse represents minus DKK 10m and minus DKK 1m, respectively.

Total assets

The Group's total assets made up DKK 148.2bn at 30 September 2014 against DKK 147.9bn at year-end 2013.

Assets (DKKbn)	30 Sep 2014	31 Dec 2013
Amounts owed by credit institutions etc	8.4	11.7
Loans and advances at fair value (reverse transactions)	5.1	4.9
Bank loans and advances (at amortised cost)	68.0	66.6
Securities and holdings etc	38.7	40.6
Assets related to pooled plans	10.6	10.2
Other assets etc	17.4	13.9
Total	148.2	147.9

The Group's bank loans and advances make up DKK 68.0bn at end-September 2014 compared with DKK 66.6bn at year-end 2013 and DKK 67.4bn at end-September 2013. The development compared with end-September 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 Sep 2014	31 Dec 2013
Amounts owed to credit institutions etc	27.8	31.0
Deposits and other debt	73.0	70.0
Deposits in pooled plans	10.6	10.2
Bonds issued	3.7	6.5
Other liabilities etc	20.6	18.2
Subordinated capital	1.4	1.8
Shareholders' equity	11.1	10.2
Total	148.2	147.9

The Group's deposits make up DKK 73.0bn (year-end 2013: DKK 70.0bn). Compared to 30 September 2013, deposits – including deposits of DKK 3.9bn taken over from DiBa Bank in mid-December 2013 – have risen by DKK 4.9bn from DKK 68.1bn.

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.

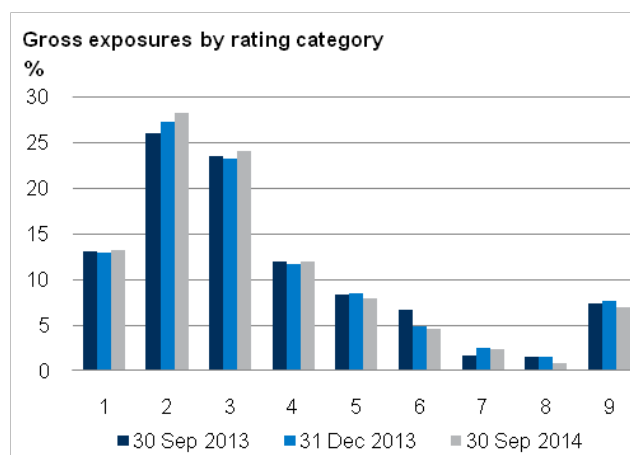
Capital

At 30 September 2014 shareholders' equity constitutes DKK 11,075m – an increase of DKK 838m since year-end 2013. The change comprises additions from profit for the period of DKK 828m less distribution of DKK 4m and net sales of own shares of DKK 14m.

Risk-weighted assets (DKKbn)	30 Sep 2014	31 Dec 2013
Credit risk	52.7	54.2
Market risk	8.4	10.2
Operational risk	8.3	8.3
Total	69.4	72.7

Risk-weighted assets represent DKK 69.4bn (year-end 2013: DKK 72.7bn). The decrease consists of a fall in credit risk of DKK 1.5bn and a decline in market risk of DKK 1.8bn.

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



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.

Overall gross exposures by rating category show a positive development with increasing shares in the four best rating categories.

The Group's total capital ratio stands at 17.0%, of which 16.4 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 14.8% (31 December 2013: 13.4%). At 30 September 2014 the individual solvency need represents unchanged 10.0% compared with 31 December 2013.

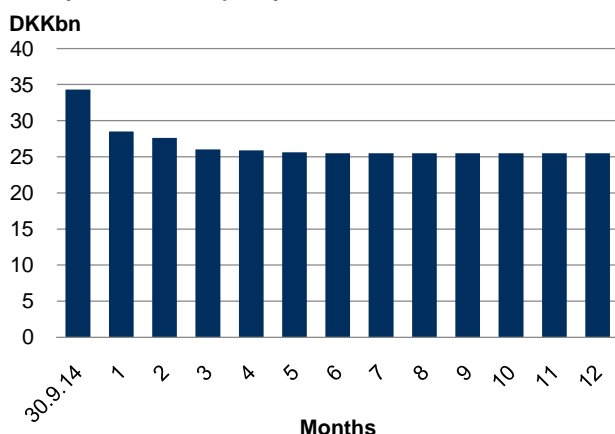
Market risk

At 30 September 2014 the Group's interest rate risk stands at DKK 176m. 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 27.7% at 30 September 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 Sep 2014	31 Dec 2013	30 Sep 2013
Sum of large exposures < 125% of the capital base	38	26	22
Growth in loans and advances < 20% annually	2	(2)	(2)
Commercial property exposure < 25%	9	11	12
Funding ratio < 1	0.77	0.78	0.84
Excess cover relative to statutory liquidity requirements > 50%	177	180	200

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.

Comprehensive assessment of the financial health of European banks

Sydbank has participated in a comprehensive assessment of the financial health of European banks.

The assessment, carried out across 123 banks, seeks to assess the resilience of European banks, including the banks' solvency, to severe shocks under hypothetical adverse scenarios. The assessment began in November 2013 and has consequently lasted for 12 months.

The comprehensive assessment comprises two elements:

1. Asset quality review (AQR)
2. EU-wide stress test

Asset quality review (AQR)

The AQR increases the transparency of banks' exposures, including the valuation of assets and the adequacy of value adjustments made.

The AQR has been conducted by the Danish FSA according to guidelines established by the European Central Bank (ECB). The AQR was more comprehensive compared with previous analyses conducted by the Danish FSA.

The Danish FSA has ascertained that there was a need for additional impairment charges at 31 December 2013 of DKK 75m, which is considered insignificant.

The need for impairment charges of DKK 75m is composed of:

- Individual impairment charges of DKK 51m which are included in the impairment charges for Q1 2014.
- Collective impairment charges of DKK 24m which are included in the impairment charges for Q3 2014.

2014 EU-wide stress test

Sydbank is pleased that the EU-wide stress test has been conducted and with the Group's individual results indicating:

- great resilience to adverse economic developments in the period 2014-2016
- no appreciable exposure to governments and banks in countries with increased risk
- a very robust capital structure.

Under the baseline scenario Sydbank's CET1 ratio rises to 15.5% in 2016 compared with 13.7% at year-end 2013, equal to 7.5 percentage points more than the fixed minimum of 8.0%.

Under the adverse scenario Sydbank's CET1 ratio decreases to 12.9% in 2016 compared with 13.7% at year-end 2013, equal to 7.4 percentage points more than the fixed minimum of 5.5%.

Focus on agriculture

A breakdown of bank loans and advances to the agricultural sector by sector and rating category is shown below.

Impaired bank loans and advances to the agricultural sector have grown by DKK 191m to DKK 1,789m in 2014, equal to an increase of 2.9% of loans and

advances. Finally it can be seen that impairment charges for bank loans and advances subject to individual impairment to the agricultural sector have declined from 61.4% to 56.3% in 2014, due to higher prices of agricultural land as well as continuous winding-up of non-performing exposures.

30 September 2014 (DKKm)	Pig farming	Cattle farming	Crop production	Other agriculture	Total loans and advances
Rating 1	-	-	10	4	14
Rating 2	25	6	102	74	207
Rating 3	262	51	301	183	797
Rating 4	86	108	153	226	573
Rating 5	450	221	283	211	1,165
Rating 6	209	255	170	143	777
Rating 7	140	159	53	71	423
Rating 8	105	109	55	10	279
Rating 9	602	699	283	240	1,824
Default	127	308	31	78	544
STD/NR	8	-	0	41	49
Bank loans and advances before impairment charges	2,014	1,916	1,441	1,281	6,652
Individual impairment charges	274	553	55	126	1,008
Bank loans and advances after impairment charges	1,740	1,363	1,386	1,155	5,644
Impaired bank loans and advances	574	869	141	205	1,789
Impaired as % of bank loans and advances	28.5	45.4	9.8	16.0	26.9
Impairment as % of impaired bank loans and advances	47.7	63.6	39.0	61.5	56.3

31 December 2013 (DKKm)	Pig farming	Cattle farming	Crop production	Other agriculture	Total loans and advances
Bank loans and advances before impairment charges	2,018	2,005	1,354	1,270	6,647
Individual impairment charges	245	581	40	115	981
Bank loans and advances after impairment charges	1,773	1,424	1,314	1,155	5,666
Impaired bank loans and advances	466	842	84	206	1,598
Impaired as % of bank loans and advances	23.1	42.0	6.2	16.2	24.0
Impairment as % of impaired bank loans and advances	52.6	69.0	47.6	55.8	61.4

In general settlement prices in the agricultural sector are subject to fluctuations and following high levels from 2012 until the beginning of 2014 prices have now dropped sharply.

Given the current settlement prices we project considerably lower earnings in the agricultural sector in 2015 than in 2013 and 2014 where earnings in the sector were relatively high.

Settlement prices of milk as well as pork have fallen by approx 20% from the high levels at the turn of the year 2013/2014.

The decline in milk and pork prices is primarily due to Russia's embargo on dairy products from the EU, a growing global food production as well as significantly lower demand from China.

In terms of animal production the drop in feed prices is positive, which mitigates the economic impact of the price declines among pig and milk producers. By contrast the lower crop prices will cause crop producers' earnings to drop sharply.

Given unchanged prices in 2015 compared with the current levels an average full-time farm is expected to record a zero profit in 2015. This should be compared with a profit of DKK 750,000 in 2013 and a projected profit of DKK 200,000 in 2014.

Profits vary considerably. Farmers with high debt ratios and low production results will face the largest problems. In 2013 and 2014 a number of the Bank's agricultural clients have only been able to service their debts because of the high prices. The current prices will make it difficult for them to balance their finances and some of them will have to cease production and sell their farms.

In the long term a market development is projected where farming incomes will return to levels enabling by far the largest group of farmers to balance their finances – well aided by the expectations of continued low interest rates.

Income Statement

DKKm	Note	Q1-Q3 2014	Q1-Q3 2013	Q3 2014	Q3 2013
Interest income	2	2,517	2,644	855	841
Interest expense	3	466	463	147	153
Net interest income		2,051	2,181	708	688
Dividends on shares		42	27	2	3
Fee and commission income	4	1,296	1,094	445	356
Fee and commission expense		175	162	56	50
Net interest and fee income		3,214	3,140	1,099	997
Market value adjustments	5	411	361	68	17
Other operating income		21	18	6	6
Staff costs and administrative expenses	6	1,890	1,754	593	556
Depreciation and impairment of property, plant and equipment		70	87	21	24
Other operating expenses	8	92	91	31	28
Impairment of loans and advances etc	9	553	973	111	299
Profit on holdings in associates and subsidiaries	10	9	2	1	1
Profit before tax		1,050	616	418	114
Tax	11	222	147	104	29
Profit for the period		828	469	314	85
EPS Basic (DKK) *		11.3	6.4	4.3	1.2
EPS Diluted (DKK) *		11.3	6.4	4.3	1.2
Dividend per share (DKK)		-	-	-	-
* Calculated on the basis of average number of shares outstanding, see page 18.					

Statement of Comprehensive Income

Profit for the period	828	469	314	85
Other comprehensive income				
Items that may be reclassified to the income statement:				
Translation of foreign entities	3	(3)	1	2
Hedge of net investment in foreign entities	(3)	3	(1)	(2)
Property revaluation	-	1	-	-
Other comprehensive income after tax	0	1	0	0
Comprehensive income for the period	828	470	314	85

Balance Sheet

DKKm	Note	30 Sep 2014	31 Dec 2013	30 Sep 2013
Assets				
Cash and balances on demand at central banks		879	2,850	1,744
Amounts owed by credit institutions and central banks	12	7,538	8,800	7,309
Loans and advances at fair value		5,094	4,885	4,578
Loans and advances at amortised cost		68,001	66,592	67,391
Bonds at fair value		37,154	38,819	38,359
Shares etc		1,380	1,669	1,365
Holdings in associates etc		168	162	162
Assets related to pooled plans		10,592	10,162	9,785
Intangible assets		339	355	61
Total land and buildings		1,088	1,122	1,021
investment property		2	20	17
owner-occupied property		1,086	1,102	1,004
Other property, plant and equipment		65	86	57
Current tax assets		64	182	15
Deferred tax assets		15	79	9
Assets in temporary possession		17	19	8
Other assets	13	15,749	12,049	12,606
Prepayments		64	61	56
Total assets		148,207	147,892	144,526
Shareholders' equity and liabilities				
Amounts owed to credit institutions and central banks	14	27,792	31,019	33,146
Deposits and other debt	15	73,019	70,027	68,065
Deposits in pooled plans		10,598	10,167	9,790
Bonds issued at amortised cost		3,738	6,462	3,775
Current tax liabilities		4	5	142
Other liabilities	16	20,403	18,022	17,430
Deferred income		3	6	4
Total liabilities		135,557	135,708	132,352
Provisions	17	191	150	214
Subordinated capital	18	1,384	1,797	1,387
Shareholders' equity:				
Share capital		742	742	742
Revaluation reserves		77	77	98
Other reserves:				
Reserves according to articles of association		425	425	425
Other reserves		3	3	2
Retained earnings		9,828	8,986	9,306
Proposed dividend etc		-	4	-
Total shareholders' equity		11,075	10,237	10,573
Total shareholders' equity and liabilities		148,207	147,892	144,526

Financial Highlights – Quarterly

	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Income statement (DKKm)							
Core income	1,094	1,076	1,055	1,011	995	1,016	1,036
Trading income	53	66	86	37	31	75	86
Total income	1,147	1,142	1,141	1,048	1,026	1,091	1,122
Costs, core earnings	621	661	704	600	604	649	661
Core earnings before impairment	526	481	437	448	422	442	461
Impairment of loans and advances etc	129	111	319	888	299	325	349
Core earnings	397	370	118	(440)	123	117	112
Investment portfolio earnings	44	(47)	84	42	(7)	197	87
Profit before non-recurring items	441	323	202	(398)	116	314	199
Non-recurring items, net	(23)	(22)	129	(47)	(2)	4	(15)
Profit before tax	418	301	331	(445)	114	318	184
Tax	104	73	45	(163)	29	71	47
Profit for the period	314	228	286	(282)	85	247	137
Balance sheet highlights (DKKbn)							
Loans and advances at amortised cost	68.0	67.7	67.2	66.6	67.4	67.8	67.9
Loans and advances at fair value	5.1	5.7	6.1	4.9	4.6	4.5	5.8
Deposits and other debt	73.0	74.0	72.0	70.0	68.1	65.9	66.7
Bonds issued at amortised cost	3.7	3.7	3.7	6.5	3.8	3.8	3.8
Subordinated capital	1.4	1.4	1.5	1.8	1.4	1.4	1.4
Shareholders' equity	11.1	10.7	10.5	10.2	10.6	10.5	10.2
Total assets	148.2	147.4	143.4	147.9	144.5	141.4	155.4
Financial ratios per share (DKK per share of DKK 10)							
EPS Basic **	4.3	3.1	3.9	(3.8)	1.2	3.4	1.9
EPS Diluted **	4.3	3.1	3.9	(3.8)	1.2	3.4	1.9
Share price at end of period	179.6	143.7	138.7	144.0	143.8	114.0	119.1
Book value	151.0	146.7	143.5	139.7	143.8	142.6	139.3
Share price/book value	1.19	0.98	0.97	1.03	1.00	0.80	0.86
Average number of shares outstanding (in millions)	73.2	73.3	73.3	73.6	73.6	73.5	73.0
Dividend per share	-	-	-	-	-	-	-
Other financial ratios and key figures							
Total capital ratio	17.0	16.2	15.8	15.7	16.9	16.5	15.7
Tier 1 capital ratio	16.4	15.7	15.3	15.3	16.5	16.2	15.3
Common equity Tier 1 capital ratio	14.8	14.1	13.8	13.4	14.8	14.4	13.7
Pre-tax profit as % of average shareholders' equity **	3.8	2.8	3.2	(4.3)	1.1	3.1	1.8
Post-tax profit as % of average shareholders' equity **	2.9	2.1	2.7	(2.7)	0.8	2.4	1.4
Costs (core earnings) as % of total income	54.1	57.9	61.7	57.3	58.9	59.5	58.9
Interest rate risk	0.5	0.5	0.6	0.6	0.0	0.2	1.7
Foreign exchange position	4.5	4.4	9.2	2.1	2.9	2.3	4.6
Foreign exchange risk	0.0	0.0	0.2	0.0	0.1	0.1	0.1
Loans and advances relative to deposits *	0.8	0.8	0.8	0.8	0.9	0.9	0.9
Loans and advances relative to shareholders' equity *	6.1	6.3	6.4	6.5	6.4	6.5	6.7
Growth in loans and advances for the period *	0.5	0.7	0.9	(1.2)	(0.6)	(0.1)	(0.4)
Excess cover relative to statutory liquidity requirements	177.3	188.4	182.9	179.8	200.3	167.4	147.6
Total large exposures	37.9	36.3	35.5	25.8	22.2	30.5	10.4
Accumulated impairment ratio	5.4	5.7	5.6	5.4	4.4	4.2	4.2
Impairment ratio for the period **	0.16	0.14	0.40	1.12	0.38	0.41	0.44
Number of full-time staff at end of period	2,142	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.

Financial Highlights – Q1-Q3

	Q1-Q3 2014	Q1-Q3 2013	Q1-Q3 2012	Q1-Q3 2011	Q1-Q3 2010
Income statement (DKKm)					
Core income	3,225	3,047	3,162	2,440	2,492
Trading income	205	192	252	698	1,051
Total income	3,430	3,239	3,414	3,138	3,543
Costs, core earnings	1,986	1,914	1,907	1,890	1,869
Core earnings before impairment	1,444	1,325	1,507	1,248	1,674
Impairment of loans and advances etc	559	973	1,198	735	944
Core earnings	885	352	309	513	730
Investment portfolio earnings	81	277	265	(25)	235
Profit before non-recurring items	966	629	574	488	965
Non-recurring items, net	84	(13)	(10)	(282)	(384)
Profit before tax	1,050	616	564	206	581
Tax	222	147	141	70	145
Profit for the period	828	469	423	136	436
Balance sheet highlights (DKKbn)					
Loans and advances at amortised cost	68.0	67.4	67.2	70.0	73.6
Loans and advances at fair value	5.1	4.6	5.9	6.4	6.5
Deposits and other debt	73.0	68.1	63.8	65.0	61.5
Bonds issued at amortised cost	3.7	3.8	3.8	7.5	16.1
Subordinated capital	1.4	1.4	1.4	2.3	3.1
Shareholders' equity	11.1	10.6	10.0	9.5	9.5
Total assets	148.2	144.5	154.0	143.9	153.7
Financial ratios per share (DKK per share of DKK 10)					
EPS Basic **	11.3	6.4	5.8	1.9	5.9
EPS Diluted **	11.3	6.4	5.8	1.9	5.9
Share price at end of period	179.6	143.8	109.4	99.0	127.4
Book value	151.0	143.8	136.9	130.5	130.1
Share price/book value	1.19	1.00	0.80	0.76	0.98
Average number of shares outstanding (in millions)	73.3	73.3	73.1	73.3	73.6
Dividend per share	-	-	-	-	-
Other financial ratios and key figures					
Total capital ratio	17.0	16.9	15.3	15.7	16.1
Tier 1 capital ratio	16.4	16.5	15.3	14.7	14.1
Common equity Tier 1 capital ratio	14.8	14.8	13.6	13.0	12.4
Pre-tax profit as % of average shareholders' equity **	9.9	6.0	5.8	2.2	6.2
Post-tax profit as % of average shareholders' equity **	7.8	4.6	4.3	1.4	4.7
Costs (core earnings) as % of total income	57.9	59.1	55.9	60.2	52.8
Interest rate risk	0.5	0.0	1.1	0.7	0.4
Foreign exchange position	4.5	2.9	3.2	1.8	1.4
Foreign exchange risk	0.0	0.1	0.1	0.1	0.0
Loans and advances relative to deposits *	0.8	0.9	0.9	1.0	1.1
Loans and advances relative to shareholders' equity *	6.1	6.4	6.7	7.3	7.7
Growth in loans and advances for the period *	2.1	(1.1)	(2.4)	(4.1)	(1.3)
Excess cover relative to statutory liquidity requirements	177.3	200.3	135.3	115.3	126.3
Total large exposures	37.9	22.2	36.7	24.2	19.6
Accumulated impairment ratio excl PCA	5.4	4.4	3.4	2.0	2.3
Impairment ratio for the period excl PCA **	0.68	1.24	1.54	0.94	1.09
Number of full-time staff at end of period	2,142	2,078	2,095	2,270	2,303

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

** Q1-Q3 ratios have not been converted to a full-year basis.

Capital

DKK m	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	-	-	-	-	828	-	828
Other comprehensive income							
Translation of foreign entities	-	-	-	-	3	-	3
Hedge of net investment in foreign entities	-	-	-	-	(3)	-	(3)
Property revaluation	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-	-
Comprehensive income for the period	-	-	-	-	828	-	828
Transactions with owners							
Purchase of own shares	-	-	-	-	(806)	-	(806)
Sale of own shares	-	-	-	-	820	-	820
Dividend paid etc	-	-	-	-	-	(4)	(4)
Total transactions with owners	-	-	-	-	14	(4)	10
Shareholders' equity at 30 Sep 2014	742	77	425	3	9,828	-	11,075
Shareholders' equity at 1 Jan 2013	742	97	425	2	8,760	7	10,033
Profit for the period	-	-	-	-	469	-	469
Other comprehensive income							
Translation of foreign entities	-	-	-	-	(3)	-	(3)
Hedge of net investment in foreign entities	-	-	-	-	3	-	3
Property revaluation	-	1	-	-	-	-	1
Total other comprehensive income	-	1	-	-	-	-	1
Comprehensive income for the period	-	1	-	-	469	-	470
Transactions with owners							
Purchase of own shares	-	-	-	-	(1,138)	-	(1,138)
Sale of own shares	-	-	-	-	1,215	-	1,215
Dividend paid etc	-	-	-	-	-	(7)	(7)
Total transactions with owners	-	-	-	-	77	(7)	70
Shareholders' equity at 31 Sep 2013	742	98	425	2	9,306	-	10,573

* 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 Sydbank share	30 Sep 2014	Full year 2013	30 Sep 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)	73,292,932	73,288,716	73,527,853
Average number of shares outstanding (number)	73,360,855	73,409,670	73,345,003

The Bank has only one class of shares as all shares carry the same rights.

Capital

DKK m	30 Sep 2014	31 Dec 2013	30 Sep 2013
Capital ratios			
Total capital ratio	17.0	15.7	16.9
Tier 1 capital ratio	16.4	15.3	16.5
Common equity Tier 1 capital ratio	14.8	13.4	14.8
Total capital			
Shareholders' equity	11,075	10,237	10,573
Profit – not eligible	(414)	-	-
Revaluation reserves	-	(77)	(98)
Proposed dividend etc	-	(4)	-
Intangible assets and capitalised deferred tax assets	(354)	(434)	(70)
Common equity Tier 1 capital	10,307	9,722	10,405
Additional Tier 1 capital	1,107	1,547	1,387
50% of holdings > 10%	-	(161)	(153)
Tier 1 capital	11,414	11,108	11,639
Tier 2 capital	111	125	-
Revaluation reserves	-	77	98
Difference between expected loss and accounting impairment charges	262	281	287
Total capital before deductions	11,787	11,591	12,024
50% of holdings > 10%	-	(161)	(152)
Total capital	11,787	11,430	11,872
Credit risk	52,752	54,211	52,828
Market risk	8,374	10,197	9,170
Operational risk	8,306	8,341	8,341
Risk-weighted assets	69,432	72,749	70,339
Capital requirement under Pillar I	5,555	5,820	5,627

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 414m, 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

DKKm	Q1-Q3 2014	Full year 2013	Q1-Q3 2013
Operating activities			
Pre-tax profit for the period	828	171	616
Taxes paid	(43)	(199)	(44)
Adjustment for non-cash operating items	703	1,943	1,080
Cash flows from working capital	(1,018)	(1,564)	1,227
Cash flows from operating activities	470	351	2,879
Investing activities			
Purchase of DiBa	-	(479)	-
Purchase and sale of holdings in associates	2	2	-
Purchase and sale of property, plant and equipment	11	(37)	(11)
Cash flows from investing activities	13	(514)	(11)
Financing activities			
Purchase and sale of own holdings	13	44	77
Dividend etc	(4)	(7)	(7)
Raising of subordinated capital	(413)	-	-
Issue of bonds	(2,724)	2,470	(211)
Cash flows from financing activities	(3,128)	2,507	(141)
Cash flows for the period	(2,645)	2,344	2,727
Cash and cash equivalents at 1 Jan	4,949	2,605	2,605
Cash flows for the period	(2,645)	2,344	2,727
Total cash and cash equivalents at end of period	2,304	4,949	5,332

Segment Statements

DKKm	Banking	Asset Management	Sydbank Markets	Treasury	Other	Total
Business segments – Q1-Q3 2014						
Core income	3,030	127	67	-	-	3,224
Trading income	-	-	205	-	-	205
Total income	3,030	127	272	-	-	3,429
Costs, core earnings	1,806	42	91	-	46	1,985
Impairment of loans and advances etc	559	-	-	-	-	559
Core earnings	665	85	181	-	(46)	885
Investment portfolio earnings	-	-	-	106	(25)	81
Profit before non-recurring items	665	85	181	106	(71)	966
Non-recurring items, net	85	-	-	-	(1)	84
Profit before tax	750	85	181	106	(72)	1,050

DKKm	Banking	Asset Management	Sydbank Markets	Treasury	Other	Total
Business segments – Q1-Q3 2013						
Core income	2,854	125	68	-	-	3,047
Trading income	-	-	192	-	-	192
Total income	2,854	125	260	-	-	3,239
Costs, core earnings	1,728	42	102	-	42	1,914
Impairment of loans and advances etc	973	-	-	-	-	973
Core earnings	153	83	158	-	(42)	352
Investment portfolio earnings	(4)	-	-	281	-	277
Profit before non-recurring items	149	83	158	281	(42)	629
Non-recurring items, net	-	-	-	-	(13)	(13)
Profit before tax	149	83	158	281	(55)	616

Holdings in Subsidiaries and Associates etc

30 Sep 2014		Sydbank Group					
DKKkm	Activity	Owner-ship share (%)	Share-holders' equity (DKKkm)	Total assets	Total liabilities	Income	Result
Consolidated subsidiaries							
DiBa A/S	Investment and finance	100	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	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 companies' most recently published annual reports.

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

DKKkm	Q1-Q3 2014	Q1-Q3 2013	Q3 2014	Q3 2013
Note 2				
Interest income				
Reverse transactions with credit institutions and central banks	(3)	(4)	(1)	(2)
Amounts owed by credit institutions and central banks	13	15	4	5
Reverse loans and advances	5	(6)	2	(10)
Loans and advances and other amounts owed	2,217	2,289	739	759
Bonds	377	375	133	112
Derivatives	(95)	(25)	(28)	(23)
comprising:				
Foreign exchange contracts	80	45	18	3
Interest rate contracts	(175)	(70)	(46)	(26)
Other contracts	0	0	0	0
Other interest income	3	0	6	0
Total	2,517	2,644	855	841
Note 3				
Interest expense				
Repo transactions with credit institutions and central banks	8	9	2	3
Credit institutions and central banks	41	47	14	15
Repo deposits	0	0	0	0
Deposits and other debt	330	320	109	106
Bonds issued	60	66	15	22
Subordinated capital	26	20	7	7
Other interest expense	1	1	0	0
Total	466	463	147	153
Note 4				
Fee and commission income				
Securities trading and custody accounts	679	612	230	196
Payment services	212	180	75	62
Loan fees	84	64	35	20
Guarantee commission	88	76	27	27
Other fees and commission	233	162	78	51
Total	1,296	1,094	445	356

Notes

DKKkm	Q1-Q3 2014	Q1-Q3 2013	Q3 2014	Q3 2013
Note 5				
Market value adjustments				
Other loans and advances and amounts owed at fair value	0	1	0	0
Bonds	424	47	88	(49)
Shares etc	259	70	35	32
Investment property	1	(1)	0	0
Foreign exchange	124	127	48	53
Total derivatives	(397)	118	(102)	(18)
Assets related to pooled plans	623	19	108	140
Deposits in pooled plans	(624)	(20)	(109)	(141)
Other assets/liabilities	1	0	0	0
Total	411	361	68	17
Note 6				
Staff costs and administrative expenses				
Salaries and remuneration:				
Group Executive Management*	9	15	3	9
Board of Directors	3	3	1	1
Shareholders' Committee	2	2	1	1
Total	14	20	5	11
* including severance pay	-	5	-	5
Staff costs				
Wages and salaries	922	847	283	258
Pensions	102	91	37	29
Social security contributions	5	11	2	3
Payroll tax etc	108	89	35	25
Total	1,137	1,038	357	315
Other administrative expenses:				
IT	421	396	138	127
Rent etc	108	99	33	33
Marketing and entertainment expenses	52	65	12	19
Other expenses	158	136	48	51
Total	739	696	231	230
Total	1,890	1,754	593	556
Note 7				
Staff				
Average number of staff (full-time equivalent)	2,228	2,135	2,200	2,121

Notes

DKKkm	Q1-Q3 2014	Q1-Q3 2013	Q3 2014	Q3 2013
Note 8				
Other operating expenses				
Contributions to the Guarantee Fund for Depositors and Investors	91	91	30	28
Other expenses	1	0	1	0
Total	92	91	31	28
Note 9				
Impairment of loans and advances recognised in the income statement				
Impairment and provisions	504	785	45	191
Write-offs	121	232	96	117
Recovered from debt previously written off	72	44	30	9
Impairment of loans and advances etc	553	973	111	299
Impairment and provisions at end of period				
Individual impairment and provisions	4,277	3,295	4,277	3,295
Collective impairment and provisions	192	179	192	179
Impairment and provisions at end of period	4,469	3,474	4,469	3,474
Individual impairment of loans and advances and provisions for guarantees				
Impairment and provisions at 1 Jan	4,164	2,834	4,454	3,170
Exchange rate adjustment	0	0	0	0
Impairment and provisions during the period	578	886	49	224
Write-offs covered by impairment and provisions	465	425	226	99
Impairment and provisions at end of period	4,277	3,295	4,277	3,295
Individual impairment of loans and advances	4,166	3,195	4,166	3,195
Individual provisions for guarantees	111	100	111	100
Impairment and provisions at end of period	4,277	3,295	4,277	3,295
Collective impairment of loans and advances and provisions for guarantees				
Impairment and provisions at 1 Jan	137	184	150	175
Impairment and provisions during the period	55	(5)	42	4
Impairment and provisions at end of period	192	179	192	179
Sum of loans and advances and amounts owed subject to collective impairment and provisions	5,123	13,148	5,123	13,148
Collective impairment and provisions	192	179	192	179
Loans and advances and amounts owed after collective impairment and provisions	4,931	12,969	4,931	12,969
Individual impairment of loans and advances subject to objective evidence of impairment				
Balance before impairment of individually impaired loans and advances	7,128	5,997	7,128	5,997
Impairment of individually impaired loans and advances	4,166	3,195	4,166	3,195
Balance after impairment of individually impaired loans and advances	2,962	2,802	2,962	2,802
Accrued interest concerning individually and collectively impaired loans and advances represents	491	723	175	296

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 Sep 2014	31 Dec 2013	30 Sep 2014	31 Dec 2013	Q1-Q3 2014	Q1-Q3 2013	Q1-Q3 2014	Q1-Q3 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	7,240	7,059	1,010	988	66	114	71	113
<i>Pig farming</i>	2,181	2,119	274	245	43	(7)	29	4
<i>Cattle farming</i>	2,011	2,134	553	586	(15)	96	19	98
<i>Crop production</i>	1,714	1,451	56	40	15	6	5	0
<i>Other agriculture</i>	1,334	1,355	127	117	23	19	18	11
Manufacturing and extraction of raw materials	6,735	6,685	228	241	11	77	48	27
Energy supply	2,657	2,910	14	18	14	2	22	2
Building and construction	3,205	3,180	141	159	4	38	21	37
Trade	12,252	10,734	520	441	92	55	48	52
Transportation, hotels and restaurants	3,052	3,037	66	72	2	32	10	16
Information and communication	503	447	28	9	15	5	0	0
Finance and insurance	6,046	6,612	409	368	71	59	14	133
Real property	7,409	8,965	698	648	180	222	203	115
<i>Leasing of commercial property</i>	3,515	3,743	293	242	46	90	31	40
<i>Leasing of residential property</i>	1,892	2,179	192	258	64	66	131	10
<i>Housing associations and cooperative housing associations</i>	966	1,467	-	-	-	-	-	-
<i>Purchase, development and sale on own account</i>	724	1,150	154	124	39	46	33	59
<i>Other related to real property</i>	312	426	59	24	31	20	8	6
Other corporate lending	4,327	3,457	196	185	30	70	41	27
Total corporate lending	53,426	53,086	3,310	3,129	485	674	478	522
Public authorities	822	1,118	-	-	-	-	-	-
Retail clients	28,419	25,300	967	1,035	13	304	108	135
Collective impairment charges	-	-	192	137	55	(5)	-	-
Total	82,667	79,504	4,469	4,301	553	973	586	657

Notes

DKKm	Q1-Q3 2014	Q1-Q3 2013	Q3 2014	Q3 2013
Note 10				
Profit on holdings in associates and subsidiaries				
Profit on holdings in associates etc	9	2	1	1
Total	9	2	1	1
Note 11				
Effective tax rate				
Current tax rate of Sydbank	24.5	25.0	24.5	25.0
Reduction in corporation tax rate	-	(1.4)	-	-
Permanent differences*	(3.5)	-	-	-
Adjustment of prior year tax charges	0.1	0.2	0.2	-
Effective tax rate	21.1	23.8	24.7	25.0

* Permanent differences comprise a tax-free gain on shares of DKK148m relating to the sale of Nets.

DKKm	30 Sep 2014	31 Dec 2013	30 Sep 2013
Note 12			
Amounts owed by credit institutions and central banks			
Amounts owed at notice by central banks	-	-	-
Amounts owed by credit institutions	7,538	8,800	7,309
Total	7,538	8,800	7,309
Of which reverse transactions	5,997	6,701	5,612
Note 13			
Other assets			
Positive market value of derivatives etc	11,503	9,028	9,544
Sundry debtors	466	419	348
Interest and commission receivable	328	407	413
Cash collateral provided, CSA agreements	3,452	2,194	2,301
Other assets	0	1	0
Total	15,749	12,049	12,606

Notes

DKKm	30 Sep 2014	31 Dec 2013	30 Sep 2013
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Note 14

Amounts owed to credit institutions and central banks

Amounts owed to central banks	1,105	59	36
Amounts owed to credit institutions	26,687	30,960	33,110
Total	27,792	31,019	33,146
Of which repo transactions	13,784	18,913	17,068

Note 15

Deposits and other debt

On demand	57,834	53,806	51,798
At notice	345	363	383
Time deposits	8,798	8,652	9,627
Special categories of deposits	6,042	7,206	6,257
Total	73,019	70,027	68,065
Of which repo transactions	686	-	-

Note 16

Other liabilities

Negative market value of derivatives etc	11,973	9,340	9,906
Sundry creditors etc	1,476	1,863	1,552
Negative portfolio, reverse transactions	5,653	6,233	5,054
Interest and commission etc	235	73	211
Cash collateral received, CSA agreements	1,066	513	707
Total	20,403	18,022	17,430

Note 17

Provisions

Provisions for pensions and similar obligations	4	4	4
Provisions for deferred tax	-	-	94
Provisions for guarantees	111	106	100
Other provisions *	76	40	16
Total	191	150	214

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

Notes

DKK m	30 Sep 2014	31 Dec 2013	30 Sep 2013
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Note 18

Subordinated capital

Interest rate	Note		Nominal (m)	Maturity			
Redeemed loans			-	-	-	250	-
Total Tier 2 capital					-	250	-
Redeemed loans			-	-	-	161	-
1.31 (floating)	1)	Bond loan	EUR 100	Perpetual	742	743	743
1.81 (floating)	2)	Bond loan	EUR 75	Perpetual	557	558	559
6.36 (fixed)	3)	Bond loan	DKK 85	Perpetual	85	85	85
Total additional Tier 1 capital					1,384	1,547	1,387
Total subordinated capital					1,384	1,797	1,387
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 repayment of subordinated capital					0	0	0

Note 19

Contingent liabilities and other obligating agreements

Contingent liabilities

Financial guarantees	3,639	3,548	2,974
Mortgage finance guarantees	2,669	1,701	1,590
Registration and remortgaging guarantees	2,404	1,838	1,700
Other contingent liabilities	1,596	1,630	1,446
Total	10,308	8,717	7,710

Other obligating agreements

Irrevocable credit commitments	405	447	309
Other liabilities	63	61	62
Total	468	508	371

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

	30 Sep 2014	31 Dec 2013	30 Sep 2013
DKK m			

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	14,569	19,200	17,154
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Assets purchased as part of reverse transactions

Bonds at fair value	10,998	11,450	10,151
Shares etc	1	2	0

Note 21

Collateral

At 30 September 2014 the Group had deposited as collateral securities at a market value of DKK 1,206m with Danish and foreign exchanges and clearing centres etc in connection with margin calls and securities settlements etc.

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 Q1-Q3 2014. Reference is made to the Group's 2013 Annual Report for a detailed description of related party transactions.

Notes

DKKkm	Q1-Q3 2014	Q1-Q3 2013	Index 14/13	Full year 2013
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Note 23

Reporting events occurring after the balance sheet date

After the expiry of Q1-Q3, 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	1,890	1,939	97	2,568
Mortgage credit *	262	191	137	264
Payment services	165	123	134	167
Remortgaging and loan fees	81	66	123	88
Commission and brokerage	253	241	105	320
Commission etc investment funds and pooled pension plans	259	242	107	322
Asset management	132	125	106	164
Custody account fees	61	57	107	79
Other income	122	63	194	86
Total	3,225	3,047	106	4,058

* Mortgage credit

Totalkredit cooperation	213	172	124	237
Totalkredit, set-off of loss	24	22	109	28
Totalkredit cooperation, net	189	150	126	209
DLR Kredit	62	39	159	51
Other mortgage credit income	11	2	-	4
Total	262	191	137	264

Notes

30 Sep 2014		Number of full-time staff
DKKm		Turnover

Note 26

Activity by country

Denmark, banking and leasing	3,690	2,058
Germany, banking	146	84
Switzerland, in liquidation	0	-
Total	3,836	2,142

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 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 117m.

Notes

30 Sep 2014	Sydbank Group				
DKKm	Quoted prices	Observ-able inputs	Unob-servable inputs	Total fair value	Recog-nised value

Note 27 – continued

Financial assets

Amounts owed by credit institutions and central banks	-	5,997	-	5,997	5,997
Loans and advances at fair value	-	5,094	-	5,094	5,094
Bonds at fair value	-	37,154	-	37,154	37,154
Shares etc	201	12	1,167	1,380	1,380
Assets related to pooled plans	3,806	6,786	-	10,592	10,592
Other assets	94	11,706	-	11,800	11,800
Total	4,101	66,749	1,167	72,017	72,017

Financial liabilities

Amounts owed to credit institutions and central banks	-	13,784	-	13,784	13,784
Deposits and other debt	-	686	-	686	686
Deposits in pooled plans	-	10,598	-	10,598	10,598
Other liabilities	72	17,554	-	17,626	17,626
Total	72	42,622	-	42,694	42,694

DKKm	Sydbank Group				
	30 Sep 2014				

Assets measured on the basis of unobservable inputs

Carrying amount at 1 Jan	1,357
Additions	32
Disposals	422
Market value adjustment	200
Value at end of period	1,167

Recognised in profit for the period

Interest income	-
Dividends	33
Market value adjustment	200
Total	233

Management Statement

We have reviewed and approved the Interim Report – Q1-Q3 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 September 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 September 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, 28 October 2014

Group 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 2015 the Group's preliminary announcement of financial statements will be released as follows:

- Preliminary announcement of the 2014 Financial Statements
18 February 2015
- General Meeting 2014 *
12 March 2015
- Interim Report – Q1 2015
29 April 2015
- Interim Report – First Half 2015
19 August 2015
- Interim Report – Q1-Q3 2015
27 October 2015

*) Motions submitted by shareholders to be discussed at the General Meeting on 12 March 2015 must be received by the Bank no later than 29 January 2015.

Sydbank contacts

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Relevant links

sydbank.dk
sydbank.com

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