
Interim Report – Q1-Q3 2015

Sydbank Group

Sydbank

Sydbank's Interim Report – Q1-Q3 2015

Sydbank delivers solid performance – growth in lending for seventh consecutive quarter

On the back of solid Q1-Q3 financial statements Sydbank today presents a new 3-year strategy plan to secure that the positive trend since the beginning of 2014 continues. The strategy is called Blue growth and aims to realise a return on shareholders' equity of a minimum of 12%.

CEO Karen Frøsig comments:

- We have delivered a solid Q1-Q3 performance and we are pleased. We have recorded growth in lending for the seventh quarter in a row but we are particularly pleased to note that impairment charges continue the favourable trend that we have seen since the beginning of 2014.

On Sydbank's new 3-year strategy plan she comments:

- Blue growth is an ambitious strategy to ensure that Sydbank continues the positive development we are experiencing. On the basis of our high customer satisfaction we aim to provide high-quality, sound and profitable banking with customers at the centre. Blue growth articulates Sydbank's way of running a bank, namely in a profitable, down-to-earth, simple and cooperative manner.

She elaborates:

- We are a large national bank – but with the proximity, speed and flexibility of a local bank. We believe that we can provide the best of both worlds – giving our customers the flexibility they seek through digital solutions while at the same time offering competent advice in connection with big decisions such as buying a house or setting up a pension scheme. We aim to develop in line with customer needs and we see digital solutions as a natural part of our relationship with customers.

Blue growth – financial targets for the period 2016-2018

- Realise a return on shareholders' equity of a minimum of 12% after tax or be in the top 3 of the 6 largest banks
- Maintain the top 3 ranking among the 6 largest banks in terms of customer satisfaction
- Increase core income by a minimum of DKK 50m each year
- Reduce costs by DKK 50m annually – in 2015 prices
- Average impairment charges of a maximum of 50 basis points during one economic cycle.

Q1-Q3 results – highlights

- Profit of DKK 832m, equal to a return on shareholders' equity of 9.8% p.a. after tax.
- Core income of DKK 3,289m – an increase of 2% compared with Q1-Q3 2014. This is a historically high income.
- Total income of DKK 3,456m – up 1% compared to the same period in 2014.
- Impairment charges for loans and advances represent DKK 272m and have declined by 51% compared with Q1-Q3 2014.
- Bank loans and advances have risen by DKK 3.9bn, equal to 5.8% in 2015.
- The Common Equity Tier 1 capital ratio has climbed by 0.5 percentage points in Q1-Q3 2015 and constitutes 14.4%.
- Tier 2 capital worth EUR 100m has been issued.
- A share buy-back programme of DKK 500m was commenced on 13 April 2015.

Outlook for 2015

Sydbank projects limited positive economic growth in 2015. Furthermore we expect:

- Unchanged core income relative to income for 2014 due to continued fierce competition and the negative interest rate environment and despite an increase in bank loans and advances.
- Unchanged trading income relative to income for 2014 but dependent on financial market developments.
- Unchanged costs (core earnings) – despite the general pay rises agreed for the financial sector of 1.75% and a payroll tax increase of 0.80%.
- Significantly lower impairment charges in 2015.

Projections for core income and costs (core earnings) are exclusive of the effect of the acquisition of Sydinvest Administration A/S as of 31 March 2015, which is expected to result in an increase in both items of approximately DKK 50m.

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Group Financial Highlights

	Q1-Q3 2015	Q1-Q3 2014	Index 15/14	Q3 2015	Q3 2014	Full year 2014
Income statement (DKKm)						
Core income	3,289	3,225	102	1,062	1,094	4,319
Trading income	167	205	81	15	53	196
Total income	3,456	3,430	101	1,077	1,147	4,515
Costs, core earnings	2,009	1,986	101	635	621	2,619
Core earnings before impairment	1,447	1,444	100	442	526	1,896
Impairment of loans and advances etc	272	559	49	55	129	707
Core earnings	1,175	885	133	387	397	1,189
Investment portfolio earnings	(87)	81	(107)	8	44	76
Profit before non-recurring items	1,088	966	113	395	441	1,265
Non-recurring items, net	-	84	-	-	(23)	64
Profit before tax	1,088	1,050	104	395	418	1,329
Tax	256	222	115	93	104	277
Profit for the period	832	828	100	302	314	1,052

Balance sheet highlights (DKKbn)

Loans and advances at amortised cost	72.4	68.0	106	72.4	68.0	68.5
Loans and advances at fair value	6.6	5.1	129	6.6	5.1	6.9
Deposits and other debt	76.9	73.0	105	76.9	73.0	73.9
Bonds issued at amortised cost	3.7	3.7	100	3.7	3.7	3.7
Subordinated capital	2.1	1.4	150	2.1	1.4	1.4
Shareholders' equity	11.2	11.1	101	11.2	11.1	11.3
Total assets	140.9	148.2	95	140.9	148.2	152.3

Financial ratios per share (DKK per share of DKK 10)

EPS Basic **	11.4	11.3		4.2	4.3	14.3
EPS Diluted **	11.4	11.3		4.2	4.3	14.3
Share price at end of period	253.9	179.6		253.9	179.6	190.2
Book value	156.3	151.0		156.3	151.0	154.2
Share price/book value	1.62	1.19		1.62	1.19	1.23
Average number of shares outstanding (in millions)	72.8	73.3		72.1	73.2	73.3
Dividend per share	-	-		-	-	7.08

Other financial ratios and key figures

Common Equity Tier 1 capital ratio	14.4	14.8		14.4	14.8	13.9
Tier 1 capital ratio	15.9	16.4		15.9	16.4	15.5
Capital ratio	17.6	17.0		17.6	17.0	16.0
Pre-tax profit as % of average shareholders' equity **	9.7	9.9		3.5	3.8	12.3
Post-tax profit as % of average shareholders' equity **	7.4	7.8		2.7	2.9	9.8
Costs (core earnings) as % of total income	58.1	57.9		59.0	54.1	58.0
Return on assets (%)	0.6	0.6		0.2	0.2	0.7
Interest rate risk	2.0	0.5		2.0	0.5	0.0
Foreign exchange position	1.3	4.5		1.3	4.5	1.8
Foreign exchange risk	0.0	0.0		0.0	0.0	0.0
Loans and advances relative to deposits *	0.8	0.8		0.8	0.8	0.8
Loans and advances relative to shareholders' equity *	6.5	6.1		6.5	6.1	6.1
Growth in loans and advances for the period *	5.8	2.1		1.4	0.5	2.8
Excess cover relative to statutory liquidity requirements	186.2	177.3		186.2	177.3	142.2
Total large exposures	10.2	37.9		10.2	37.9	0.0
Accumulated impairment ratio	4.9	5.4		4.9	5.4	5.1
Impairment ratio for the period **	0.31	0.68		0.06	0.16	0.80
Number of full-time staff at end of period	2,113	2,142	99	2,113	2,142	2,101

* 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

High activity is improving profitability

Sydbank's financial statements for Q1-Q3 show a pre-tax profit of DKK 1,088m compared with DKK 1,050m one year ago. The improvement is due to rising core income as well as lower impairment charges.

Profit before tax equals a return of 12.9% p.a. on average shareholders' equity. The result is in line with the expectations presented in the 2014 financial statements.

Core income represents DKK 3,289m compared with DKK 3,225m in 2014 – income is historically high.

Total income amounts to DKK 3,456m against DKK 3,430m in 2014.

Core earnings constitute DKK 1,175m compared with DKK 885m in 2014 – the best 9-month result since 2007.

Profit for the period amounts to DKK 832m compared with DKK 828m in 2014.

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 relative to the result for Q4 2013
- A reduction in costs (core earnings) of DKK 200m relative to the level in 2013
- Falling impairment charges for loans and advances.

Blue growth – new 3-year plan

Based on the existing plan to increase the Bank's profitability that runs until the beginning of 2016, the Bank has taken steps to continue this positive development in the coming 3-year period from 2016 to 2018.

The strategy for this 3-year period is called "Blue growth".

Blue growth is characterised by:

- A clear strategy to continue the positive development that Sydbank is experiencing
- Blue because we do it the Sydbank way: in a profitable, down-to-earth, simple and cooperative manner
- Independent because Sydbank's business model is valued by customers. Again this year Sydbank has the highest customer satisfaction among the major banks
- Growth because we will grow through long-term, close relationships where we see acquisitions as an opportunity but not as a necessity

- Ambitious because with Blue growth Sydbank must rank in the top 3 of Group 1 banks in terms of customer satisfaction and return on shareholders' equity
- Persistent because with Blue growth Sydbank is persistent in its payment of dividends
- Strong because Blue growth maintains the aim for a high credit quality
- Blue growth means high-quality and profitable banking – quite simply.

Blue growth – financial targets:

- Realise a return on shareholders' equity of a minimum of 12% or be in the top 3 of the 6 largest banks
- Maintain the top 3 ranking among the 6 largest banks in terms of customer satisfaction
- Increase core income by a minimum of DKK 50m each year
- Reduce costs by DKK 50m annually – in 2015 prices
- Average impairment charges of a maximum of 50 basis points during one economic cycle.



To ensure further automation of processes and utilisation of the possibilities in connection with digitization, DKK 25m will be allocated annually in 2016 and 2017 for the optimisation of IT systems. The amount will be recognised as a non-recurring item.

Q1-Q3 performance

The fall in market rates caused by the upward pressure on DKK in Q1-Q3 2015 as well as continued competition in the sector have resulted in a sharp decline in the Group's net interest income.

However the decline is offset by a considerable increase in activity-based fee income.

Compared with Q1-Q3 2014 core income has climbed by DKK 64m or 2% to DKK 3,289m following a rise in income from mortgage credit, loan fees and commission.

Trading income fell to DKK 167m in Q1-Q3 2015 compared to DKK 205m in the same period in 2014. Total income represents DKK 3,456m, an increase of 1% compared with Q1-Q3 2014.

Costs (core earnings) are a constant area of focus at Sydbank. In Q1-Q3 the Bank maintained tight control of costs (core earnings). In Q2-Q3 2015 the costs of the newly acquired entity Sydinvest Administration represent DKK 33m, which has generated a rise in costs compared with costs for the first nine months of 2014.

The Group's impairment charges for loans and advances have declined by DKK 287m to DKK 272m compared with Q1-Q3 2014.

Core earnings increased by DKK 290m to DKK 1,175m compared with DKK 885m in Q1-Q3 2014. 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 recorded investment portfolio earnings of minus DKK 87m in Q1-Q3 2015 compared with DKK 81m a year ago.

Profit before tax rose to DKK 1,088m in Q1-Q3 2015 compared with DKK 1,050m in the same period in 2014. The rise has been realised despite the recognition of non-recurring items which constituted an income of DKK 84m in Q1-Q3 2014.

Tax represents DKK 256m. Profit for the period amounts to DKK 832m compared with DKK 828m in 2014.

During the first three quarters of 2015 Sydbank recorded an increase in bank loans and advances of

DKK 3.9bn. This is satisfactory given the highly competitive market.

Capital

The Group issued Tier 2 capital worth EUR 100m on 5 March 2015. The issue is a 12-year issue with a first call option after 7 years.

The Group has initiated a share buy-back programme of DKK 500m. The share buy-back commenced on 13 April 2015 and will be completed by 31 December 2015. At end-September 1,576,020 shares worth DKK 398m had been repurchased – made up at the trade date. The share buy-back is part of the capital adjustment to optimise the capital structure in accordance with the capital targets and capital policy published in the 2014 Annual Report.

Outlook for 2015

Limited positive economic growth is projected in 2015.

Core income is expected to remain unchanged relative to income for 2014 due to continued fierce competition and the negative interest rate environment and despite an increase in bank loans and advances.

Trading income is projected to remain unchanged relative to income for 2014 but is dependent on financial market developments.

In spite of the general pay rises agreed for the financial sector of 1.75% and a payroll tax increase of 0.80%, costs (core earnings) are expected to remain unchanged.

Significantly lower impairment charges are forecast for 2015.

Projections for core income and costs (core earnings) are exclusive of the effect of the acquisition of Sydinvest Administration A/S as of 31 March 2015, which is expected to result in an increase in both items of approximately DKK 50m.

Financial Review – Performance in Q1-Q3 2015

The Sydbank Group has recorded a profit before tax of DKK 1,088m (Q1-Q3 2014: DKK 1,050m). The performance meets the expectations at the beginning of the year. Profit before tax equals a return of 12.9% p.a. on average shareholders' equity.

Profit for the period amounts to DKK 832m compared with DKK 828m in 2014.

The result is characterised by:

Q1-Q3

- A 2% rise in core income despite a decline in net interest etc of 4%
- A decline in trading income to DKK 167m
- Rising costs (core earnings) as a result of the acquisition of Sydinvest Administration
- A 51% decline in impairment charges for loans and advances
- A rise in core earnings of DKK 290m to DKK 1,175m
- Negative investment portfolio earnings of DKK 87m
- Bank loans and advances of DKK 72.4bn (year-end 2014: DKK 68.5bn)
- Bank deposits of DKK 76.9bn (year-end 2014: DKK 73.9bn)
- A capital ratio of 17.6%, including a Common Equity Tier 1 capital ratio of 14.4%
- An individual solvency need of 10.3% (year-end 2014: 10.4%).

Q3

- Unchanged net interest etc compared with Q2 2015
- A 4% decrease in core income compared with the high level of Q2 2015
- Impairment charges for loans and advances of DKK 55m – the lowest level since Q3 2008.

Income statement – Q1-Q3 (DKKm)	2015	2014
Core income	3,289	3,225
Trading income	167	205
Total income	3,456	3,430
Costs, core earnings	2,009	1,986
Core earnings before impairment	1,447	1,444
Impairment of loans and advances etc	272	559
Core earnings	1,175	885
Investment portfolio earnings	(87)	81
Profit before non-recurring items	1,088	966
Non-recurring items, net	-	84
Profit before tax	1,088	1,050
Tax	256	222
Profit for the period	832	828

Core income

Total core income has increased by DKK 64m to DKK 3,289m.

Net interest has decreased by DKK 78m to DKK 1,812m predominantly due to the decline in market rates.

Net income from the cooperation with Totalkredit represents DKK 226m (2014: DKK 189m) after a set-off of loss of DKK 24m (2014: DKK 24m). The cooperation with DLR Kredit has generated an income of DKK 62m (2014: DKK 62m). Compared with 2014 total mortgage credit income has climbed by DKK 28m to DKK 290m – an increase of 11%.

Income from remortgaging and loan fees has gone up by DKK 49m to DKK 130m compared with 2014 – an increase of 60%. This is due in part to a sharp rise in remortgaging activity.

Commission and brokerage income has increased by DKK 67m to DKK 320m compared with 2014 – a rise of 26%.

The remaining income components are at the same levels as in 2014.

Core income – Q1-Q3 (DKKm)	2015	2014
Net interest etc	1,812	1,890
Mortgage credit	290	262
Payment services	153	165
Remortgaging and loan fees	130	81
Commission and brokerage	320	253
Commission etc investment funds and pooled pension plans	260	259
Asset management	135	132
Custody account fees	57	61
Other income	132	122
Total	3,289	3,225

Trading income

Trading income fell to DKK 167m in Q1-Q3 2015 compared to DKK 205m in the same period in 2014. High activity as regards trading in mortgage bonds, shares as well as currency characterised the beginning of 2015. The activity in Q3 2015 was at a more normal level.

In Q3 2015 income in Fixed Income was adversely affected by continued turbulence in the fixed income market. The credit spreads on bonds not classified as level 1 assets in the LCR calculation have widened, which has resulted in a negative trading portfolio return.

Costs and depreciation

The Group's costs and depreciation totalled DKK 2,014m, equal to a decrease of DKK 38m compared with 2014.

Costs and depreciation – Q1-Q3 (DKKm)	2015	2014
Staff costs	1,152	1,151
Other administrative expenses	700	739
Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	72	70
Other operating expenses	90	92
Total costs and depreciation	2,014	2,052
Distributed as follows:		
Costs, core earnings	2,009	1,986
Costs, investment portfolio earnings	5	5
Costs, non-recurring items	-	61

Costs (core earnings) represent DKK 2,009m compared with DKK 1,986m in 2014.

At the end of Q3 2015 the Group's staff numbered 2,113 (full-time equivalent), including 28 employees taken over in connection with the acquisition of Sydinvest Administration – compared with 2,142 at 30 September 2014.

As a consequence of the Bank's ongoing adjustment of its service concept and its efforts to reduce costs (core earnings), seven branches were closed during the first nine months. This brings the number of branches to 75 in Denmark and three in Germany.

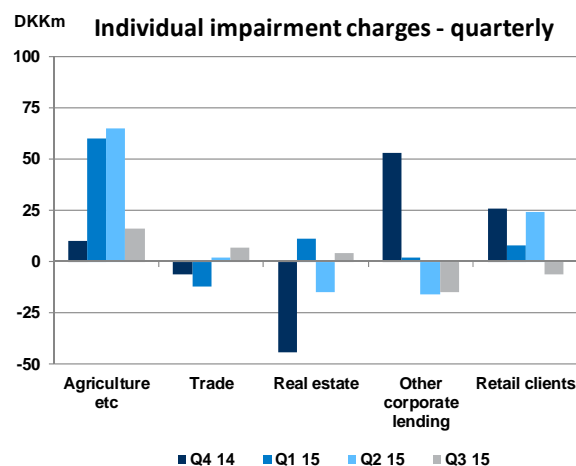
Core earnings before impairment

Core earnings before impairment charges for loans and advances represent DKK 1,447m – an increase of DKK 3m compared with the same period in 2014.

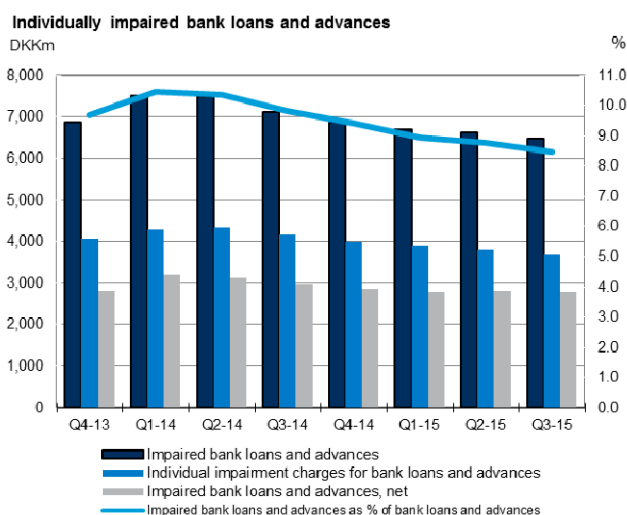
Impairment of loans and advances etc

Impairment charges for loans and advances represent DKK 272m compared with DKK 559m during the same period in 2014. This is a reduction of DKK 287m or 51%. Impairment charges for agriculture and collective impairment charges total DKK 278m.

The chart below shows impairment charges for loans and advances in the last four quarters as regards agriculture, trade, real property, other corporate lending as well as retail clients.



At 30 September 2015 the impairment ratio represents 0.36% relative to bank loans and advances and 0.31% relative to bank loans and advances and guarantees. At end-September 2015 accumulated impairment and provisions amount to DKK 4,239m. A decline of DKK 173m compared with the beginning of the year.



Compared with 30 September 2014 impaired bank loans and advances before impairment charges have decreased by DKK 649m to DKK 6,479m, equal to a decline of 9%.

DKK 424m of the decrease is attributable to non-defaulted bank loans and advances and DKK 225m is attributable to defaulted bank loans and advances. During the same period individually impaired bank loans and advances after impairment charges dropped by DKK 170m, equal to 6%. Impairment charges for bank loans and advances subject to individual impairment represent 56.9% (end-September 2014: 58.4% and year-end 2014: 58.2%).

In Q1-Q3 2015 reported losses amount to DKK 668m (Q1-Q3 2014: DKK 586m). Of the reported losses DKK 535m has previously been written down.

Individually impaired bank loans and advances (DKKm)	30 Sep 2015	31 Dec 2014	30 Sep 2014
Non-defaulted bank loans and advances	4,666	4,834	5,090
Defaulted bank loans and advances	1,813	2,030	2,038
Impaired bank loans and advances	6,479	6,864	7,128
Impairment charges for bank loans and advances subject to individual impairment	3,687	3,996	4,166
Impaired bank loans and advances after impairment charges	2,792	2,868	2,962

Impaired bank loans and advances as % of bank loans and advances before impairment charges	8.5	9.4	9.9
Impairment charges as % of bank loans and advances before impairment charges	4.8	5.5	5.8
Impairment as % of impaired bank loans and advances	56.9	58.2	58.4
Impairment charges as % of defaulted bank loans and advances	203.4	196.8	204.4

Impairment charges as a percentage of defaulted bank loans and advances at 30 September 2015 stand at 203.4.

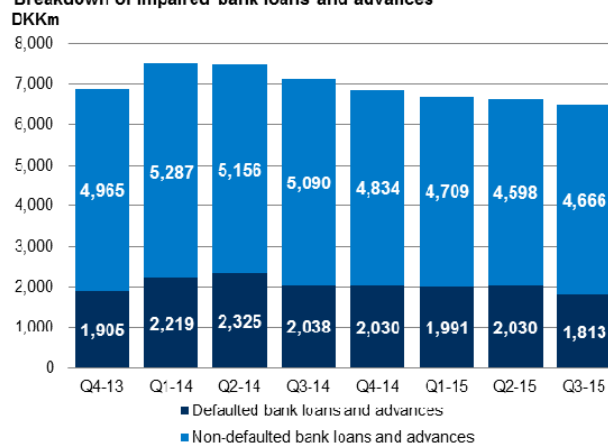
The figure below shows the breakdown of impaired bank loans and advances in terms of defaulted bank loans and advances and non-defaulted bank loans and advances.

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

Since 30 September 2014 defaulted bank loans and advances have declined by DKK 225m to DKK 1,813m, equal to a reduction of 11%.

Since 30 September 2014 non-defaulted bank loans and advances have dropped by DKK 424m to DKK 4,666m, equal to a reduction of 8%.

Breakdown of impaired bank loans and advances



Core earnings

Core earnings represent DKK 1,175m – an increase of DKK 290m or 33% compared with one year ago – the best 9-month result since 2007.

Investment portfolio earnings

Together the Group's position-taking and liquidity handling recorded earnings of minus DKK 87m in Q1-Q3 2015 compared with DKK 81m a year ago.

Investment portfolio earnings – Q1-Q3 (DKKm)	2015	2014
Position-taking	(133)	82
Liquidity generation and liquidity reserves	49	23
Strategic positions	2	(25)
Costs	(5)	(5)
Total	(87)	81

The negative investment portfolio earnings in Q1-Q3 2015 – and in particular in Q2 – are a consequence of the turmoil in fixed income markets. The high volatility has resulted in a continued widening of credit spreads on mortgage bonds. The loss results from mortgage bond yields having risen more than the interest rates of hedging transactions.

Margin expenses as regards the Group's senior issues are included under liquidity generation and liquidity reserves and represent DKK 22m in Q1-Q3 2015 compared to DKK 45m in Q1-Q3 2014.

Profit for the period (DKK m)	2015				2014		
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Core income	1,062	1,112	1,115	1,094	1,094	1,076	1,055
Trading income	15	34	118	(9)	53	66	86
Total income	1,077	1,146	1,233	1,085	1,147	1,142	1,141
Costs, core earnings	635	685	689	633	621	661	704
Core earnings before impairment	442	461	544	452	526	481	437
Impairment of loans and advances etc	55	101	116	148	129	111	319
Core earnings	387	360	428	304	397	370	118
Investment portfolio earnings	8	(64)	(31)	(5)	44	(47)	84
Profit before non-recurring items	395	296	397	299	441	323	202
Non-recurring items, net	-	-	-	(20)	(23)	(22)	129
Profit before tax	395	296	397	279	418	301	331
Tax	93	70	93	55	104	73	45
Profit for the period	302	226	304	224	314	228	286

Profit for the period

Profit before tax amounts to DKK 1,088m (2014: DKK 1,050m). Tax represents DKK 256m, equal to an effective tax rate of 23.5%. Profit for the period amounts to DKK 832m compared with DKK 828m in 2014.

Return

Profit for the period equals a return on average shareholders' equity of 9.8% p.a. after tax against 10.4% p.a. in Q1-Q3 2014. Earnings per share stands at DKK 11.4 compared with DKK 11.3 in 2014.

Subsidiaries

The Group acquired Sydinvest Administration A/S for DKK 44m on 31 March 2015. The distribution of the purchase price is shown in note 27.

Ejendomsselskabet recorded a profit after tax of DKK 3m compared with DKK 3m in Q1-Q3 2014. Profit after tax in DiBa and Sydinvest Administration represents DKK 2m (2014: minus DKK 10m) and DKK 4m (2014: DKK 0m), respectively.

Q3 2015

Profit before tax for the quarter represents DKK 395m.

Compared with Q2 2015 profit before tax reflects:

- Unchanged net interest etc compared with Q2
- A decline in core income of DKK 50m
- A decrease in trading income of DKK 19m
- A decline in costs (core earnings) of DKK 50m
- A decline in impairment charges for bank loans and advances of DKK 46m – a significant improvement from the low level in Q2
- A rise in core earnings of DKK 27m to DKK 387m.
- Investment portfolio earnings of DKK 8m (Q2 2015: minus DKK 64m).

Total assets

The Group's total assets made up DKK 140.9bn at 30 September 2015 against DKK 152.3bn at year-end 2014.

Assets (DKKbn)	30 Sep 2015	31 Dec 2014
Amounts owed by credit institutions etc	11.7	10.2
Loans and advances at fair value (reverse transactions)	6.6	6.9
Bank loans and advances (at amortised cost)	72.4	68.5
Securities and holdings etc	25.5	37.9
Assets related to pooled plans	11.6	10.8
Other assets etc	13.1	18.0
Total	140.9	152.3

The Group's bank loans and advances make up DKK 72.4bn at end-September 2015 compared with DKK 68.5bn at year-end 2014 and DKK 68.0bn at end-September 2014.

Shareholders' equity and liabilities (DKKbn)	30 Sep 2015	31 Dec 2014
Amounts owed to credit institutions etc	20.6	32.1
Deposits and other debt	76.9	73.9
Deposits in pooled plans	11.6	10.8
Bonds issued	3.7	3.7
Other liabilities etc	14.8	19.1
Subordinated capital	2.1	1.4
Shareholders' equity	11.2	11.3
Total	140.9	152.3

The Group's deposits make up DKK 76.9bn against DKK 73.9bn at year-end 2014 and DKK 73.0bn at end-September 2014.

Capital

At 30 September 2015 shareholders' equity constitutes DKK 11,226m – a decline of DKK 85m since year-end 2014. The change comprises an addition from profit for the period of DKK 832m less distribution of DKK 529m and net purchases of own shares of DKK 388m.

The Group issued Tier 2 capital worth EUR 100m on 5 March 2015. The issue is a 12-year issue with a first call option after seven years.

The Group has initiated a share buy-back programme of DKK 500m. The share buy-back commenced on 13 April 2015 and will be completed by 31 December 2015. At end-September 1,576,020 shares worth DKK 398m had been repurchased.

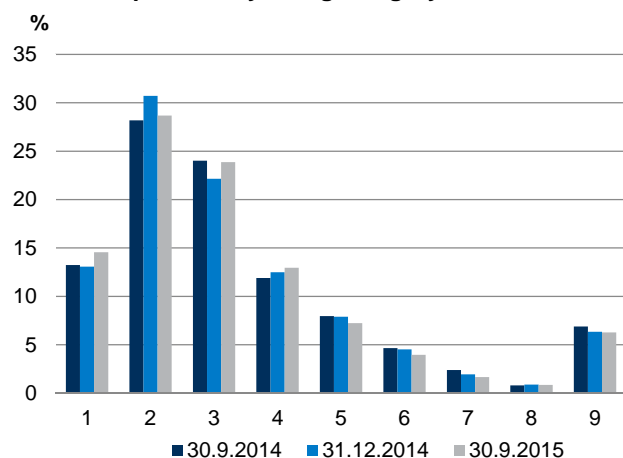
The share buy-back is part of the capital adjustment to optimise the capital structure in accordance with the capital targets and capital policy published in the 2014 Annual Report.

Risk-weighted assets (DKKbn)	30 Sep 2015	31 Dec 2014
Credit risk	46.2	49.4
Market risk	7.9	8.0
Operational risk	8.6	8.6
Other exposures incl credit valuation adjustment	6.2	6.5
Total	68.9	72.5

Risk-weighted assets represent DKK 68.9bn (year-end 2014: DKK 72.5bn). The change is mainly attributable to a decrease in credit risk of DKK 3.2bn.

The development in gross exposures by rating category at 30 September 2014, 31 December 2014 and 30 September 2015 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 an overall positive development and account for an increasing share of the four best rating categories.

The Group's capital ratio stands at 17.6%, of which the Tier 1 capital ratio represents 15.9 percentage points compared with 16.0% and 15.5 percentage points, respectively, at year-end 2014. The Common Equity Tier 1 capital ratio stands at 14.4% (31 Dec 2014: 13.9%). At 30 September 2015 the individual solvency need represents 10.3% against 10.4% at year-end 2014.

The parent's capital ratio stands at 17.1%, of which the Tier 1 capital ratio represents 15.5 percentage points compared with 16.0% and 15.4 percentage points, respectively, at year-end 2014. The Common Equity Tier 1 capital ratio stands at 14.1% (31 Dec 2014: 13.9%).

Market risk

At 30 September 2015 the Group's interest rate risk represents DKK 223m. The Group's exchange rate risk continues to be very low and its equity position modest.

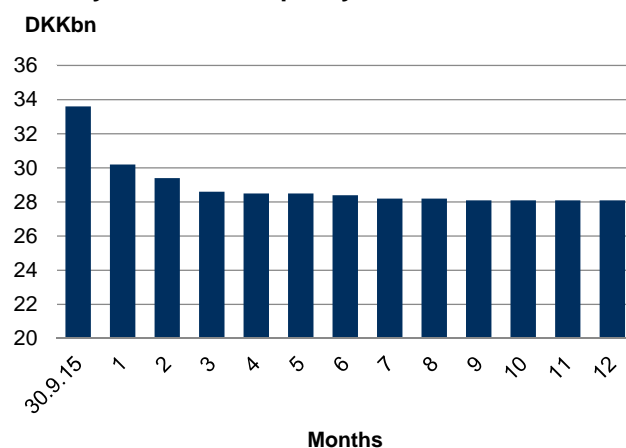
Liquidity

The Group's liquidity measured under the 10% statutory requirement constitutes 28.6% at 30 September 2015.

Sydbank is a systemically important financial institution (SIFI) and must therefore meet the new liquidity coverage ratio (LCR) of 100% as of 1 October 2015. During 2015 Sydbank has gradually made adjustments to its cash resources – increased its portfolio of Level 1A assets as well as expanded the Group's stable funding. The Group's LCR constituted 112 at 30 September 2015.

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: Stable
- Long-term debt: Baa1
- Short-term debt: P-2

Supervisory Diamond

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

	30 Sep 2015	31 Dec 2014	30 Sep 2014
Supervisory Diamond			
Sum of large exposures < 125%	10	0	38
Lending growth < 20% annually	6	3	2
Commercial property exposure < 25%	8	9	9
Funding ratio < 1	0.81	0.78	0.77
Excess cover relative to statutory liquidity requirements > 50%	186	142	177

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

EU Bank Recovery and Resolution Directive

Bank Recovery and Resolution Directive – BRRD. The directive, including the bail-in provisions, was implemented in Danish law on 1 June 2015.

According to legislation each credit institution must meet a minimum requirement for eligible liabilities (bail-in-able liabilities). The Danish FSA has been authorised to set the requirement for Sydbank.

Moreover a resolution fund is under establishment and credit institutions must make contributions to the fund according to their relative size and risk in Denmark. The resolution fund must be established and have assets at its disposal equal to at least 1% of the covered deposits of all Danish credit institutions by 31 December 2024. The first contributions to the fund must be paid by year-end 2015.

Focus on agriculture

A breakdown of bank loans and advances to agriculture by industry is shown below.

Impaired bank loans and advances to agriculture grew by DKK 231m to DKK 1,998m in Q1-Q3 2015, equal to an increase of 3.6% of loans and advances.

Of total loans and advances to agriculture an impairment charge of 20.0% has been recorded at 30 September 2015 against 17.5% at year-end 2014.

30 September 2015 (DKKm)	Pig farming	Cattle farming	Crop production	Other agriculture	Total loans and advances
Bank loans and advances before impairment charges	1,938	1,879	1,496	1,066	6,379
Individual impairment charges	308	653	52	87	1,100
Previous events	85	90			175
Bank loans and advances after impairment charges	1,545	1,136	1,444	979	5,104
Impaired bank loans and advances	650	1,057	111	180	1,998
Impaired as % of bank loans and advances	33.5	56.3	7.4	16.9	31.3
Impairment as % of impaired bank loans and advances	47.4	61.8	46.8	48.3	55.1
Impairment as % of bank loans and advances	20.3	39.5	3.5	8.2	20.0

31 December 2014 (DKKm)	Pig farming	Cattle farming	Crop production	Other agriculture	Total loans and advances
Bank loans and advances before impairment charges	1,853	1,845	1,381	1,222	6,301
Individual impairment charges	288	540	42	106	976
Previous events	85	40			125
Bank loans and advances after impairment charges	1,480	1,265	1,339	1,116	5,200
Impaired bank loans and advances	582	897	100	188	1,767
Impaired as % of bank loans and advances	31.4	48.6	7.2	15.4	28.0
Impairment as % of impaired bank loans and advances	49.5	60.2	42.0	56.4	55.2
Impairment as % of bank loans and advances	20.1	31.4	3.0	8.7	17.5

The implications of Russia's embargo on agricultural products from the EU as well as the sharp slowdown in Chinese dairy imports continue to show their full effect on prices.

At the same time agricultural production remains large, in part due to the abolition of EU milk quotas.

A large supply combined with a lower demand have prompted very low settlement prices with a considerable impact on earnings in agriculture, especially for pig producers and milk producers.

At the beginning of 2015 the Bank projected that all major farming industries – pig farming, milk production and crop production – were to expect unsatisfactory earnings in 2015. These expectations were based in part on the official report of the Danish Knowledge Centre for Agriculture (SEGES), "Prognose for landbrugets økonomiske resultater 2014-2016" (in Danish only), published in December 2014.

As a result of the bleak outlook for 2015, additional provisions of DKK 125m were made for agricultural exposures in the Group's collective impairment charges in 2014.

In September 2015 SEGES released a forecast for sector earnings in 2015-2017.

According to the forecast an average full-time farm (excluding mink) is expected to record a negative result of DKK 20,000 in 2015. This is an improvement compared to the forecast from December 2014, where a loss of DKK 112,000 was expected, albeit still at an unsatisfactory level.

In the forecasts from September 2015 the result in 2016 is expected to rise to a profit of DKK 67,000 for an average farm.

Results vary considerably from farm to farm. The best third of farmers can look forward to relatively satisfactory results/profits; they are able to generate profits continuously, also during recessions.

The projected profit in 2016 also covers the fact that the improvement mainly comes from pig farming

where the average result is expected to rise from a loss of DKK 327,000 in 2015 to a profit of DKK 73,000 in 2016. The improvement is due to a slight rise in the quotation for pork and not least the fact that feed prices appear to remain low.

Milk producers face the largest challenges. However this does not apply to organic producers who are seeing a substantial demand and satisfactory settlement prices.

According to SEGES' forecasts an average milk producer will record a loss of DKK 116,000 in 2015 but a loss of DKK 211,000 in 2016. SEGES does not anticipate that the settlement price for milk will begin to rally until 2016.

The only ray of comfort stems from New Zealand where the calving season has begun and the quantity of milk has dropped by 6% compared with previous years. Furthermore there is a risk that the meteorological phenomenon "El Nino" will strike hard causing droughts in Australia and New Zealand and this is expected to prompt a rise in the settlement price for milk in Denmark in 2016. At present milk powder prices are increasing in New Zealand.

The low settlement prices will continue to put pressure on some farmers – pig producers as well as milk producers – to wind up production or the farm.

Consequently new OEI exposures and losses on existing OEI/impairment exposures may result in impairment charges as regards agricultural segments in the quarters to come.

In Q1-Q3 2015 individual impairment charges of DKK 141m were recorded on agricultural exposures. The collective impairment charge of DKK 125m made in 2014 was increased by DKK 50m in Q3 2015. As a result the collective impairment charge regarding agricultural exposures constitutes DKK 175m at the end of Q3 2015.

Income Statement

DKKm	Note	Q1-Q3 2015	Q1-Q3 2014	Q3 2015	Q3 2014
Interest income	2	2,151	2,517	695	855
Interest expense	3	265	466	84	147
Net interest income		1,886	2,051	611	708
Dividends on shares		61	42	3	2
Fee and commission income	4	1,444	1,296	469	445
Fee and commission expense		222	175	98	56
Net interest and fee income		3,169	3,214	985	1,099
Market value adjustments	5	166	411	82	68
Other operating income		34	21	18	6
Staff costs and administrative expenses	6	1,852	1,890	583	593
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment		72	70	23	21
Other operating expenses	8	90	92	30	31
Impairment of loans and advances etc	9	272	553	55	111
Profit on holdings in associates and subsidiaries	10	5	9	1	1
Profit before tax		1,088	1,050	395	418
Tax	11	256	222	93	104
Profit for the period		832	828	302	314
EPS Basic (DKK) *		11.4	11.3	4.2	4.3
EPS Diluted (DKK) *		11.4	11.3	4.2	4.3
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	832	828	302	314
Other comprehensive income				
Items that may be reclassified to the income statement:				
Translation of foreign entities	23	3	(12)	1
Hedge of net investment in foreign entities	(23)	(3)	12	(1)
Property revaluation	-	-	-	-
Other comprehensive income after tax	0	0	0	0
Comprehensive income for the period	832	828	302	314

Balance Sheet

DKKm	Note	30 Sep 2015	31 Dec 2014	30 Sep 2014
Assets				
Cash and balances on demand at central banks		3,059	629	879
Amounts owed by credit institutions and central banks	12	8,663	9,594	7,538
Loans and advances at fair value		6,600	6,891	5,094
Loans and advances at amortised cost		72,422	68,451	68,001
Bonds at fair value		23,672	36,132	37,154
Shares etc		1,647	1,593	1,380
Holdings in associates etc		163	168	168
Assets related to pooled plans		11,550	10,790	10,592
Intangible assets		330	334	339
Total land and buildings		1,025	1,071	1,088
investment property		1	2	2
owner-occupied property		1,024	1,069	1,086
Other property, plant and equipment		56	73	65
Current tax assets		150	47	64
Deferred tax assets		104	97	15
Assets in temporary possession		7	15	17
Other assets	13	11,409	16,376	15,749
Prepayments		64	55	64
Total assets		140,921	152,316	148,207
Shareholders' equity and liabilities				
Amounts owed to credit institutions and central banks	14	20,646	32,051	27,792
Deposits and other debt	15	76,884	73,922	73,019
Deposits in pooled plans		11,560	10,796	10,598
Bonds issued at amortised cost		3,725	3,741	3,738
Current tax liabilities		0	-	4
Other liabilities	16	14,478	18,840	20,403
Deferred income		5	4	3
Total liabilities		127,298	139,354	135,557
Provisions	17	268	266	191
Subordinated capital	18	2,129	1,385	1,384
Shareholders' equity:				
Share capital		742	742	742
Revaluation reserves		79	90	77
Other reserves:				
Reserves according to articles of association		425	425	425
Other reserves		10	10	3
Retained earnings		9,970	9,508	9,828
Proposed dividend etc		-	536	-
Total shareholders' equity		11,226	11,311	11,075
Total shareholders' equity and liabilities		140,921	152,316	148,207

Financial Highlights – Quarterly

	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	2015	2015	2015	2014	2014	2014	2014
Income statement (DKKm)							
Core income	1,062	1,112	1,115	1,094	1,094	1,076	1,055
Trading income	15	34	118	(9)	53	66	86
Total income	1,077	1,146	1,233	1,085	1,147	1,142	1,141
Costs, core earnings	635	685	689	633	621	661	704
Core earnings before impairment	442	461	544	452	526	481	437
Impairment of loans and advances etc	55	101	116	148	129	111	319
Core earnings	387	360	428	304	397	370	118
Investment portfolio earnings	8	(64)	(31)	(5)	44	(47)	84
Profit before non-recurring items	395	296	397	299	441	323	202
Non-recurring items, net	-	-	-	(20)	(23)	(22)	129
Profit before tax	395	296	397	279	418	301	331
Tax	93	70	93	55	104	73	45
Profit for the period	302	226	304	224	314	228	286

Balance sheet highlights (DKKbn)

Loans and advances at amortised cost	72.4	71.4	70.6	68.5	68.0	67.7	67.2
Loans and advances at fair value	6.6	9.7	8.0	6.9	5.1	5.7	6.1
Deposits and other debt	76.9	81.2	72.1	73.9	73.0	74.0	72.0
Bonds issued at amortised cost	3.7	3.7	3.7	3.7	3.7	3.7	3.7
Subordinated capital	2.1	2.1	2.1	1.4	1.4	1.4	1.5
Shareholders' equity	11.2	11.1	11.1	11.3	11.1	10.7	10.5
Total assets	140.9	153.1	155.7	152.3	148.2	147.4	143.4

Financial ratios per share (DKK per share of DKK 10)

EPS Basic **	4.2	3.1	4.1	3.0	4.3	3.1	3.9
EPS Diluted **	4.2	3.1	4.1	3.0	4.3	3.1	3.9
Share price at end of period	253.9	255.8	218.1	190.2	179.6	143.7	138.7
Book value	156.3	153.1	151.2	154.2	151.0	146.7	143.5
Share price/book value	1.62	1.67	1.44	1.23	1.19	0.98	0.97
Average number of shares outstanding (in millions)	72.1	73.0	73.4	73.3	73.2	73.3	73.3
Dividend per share	-	-	-	7.08	-	-	-

Other financial ratios and key figures

Common Equity Tier 1 capital ratio	14.4	14.1	14.6	13.9	14.8	14.1	13.8
Tier 1 capital ratio	15.9	15.5	16.0	15.5	16.4	15.7	15.3
Capital ratio	17.6	17.2	17.6	16.0	17.0	16.2	15.8
Pre-tax profit as % of average shareholders' equity **	3.5	2.6	3.5	2.5	3.8	2.8	3.2
Post-tax profit as % of average shareholders' equity **	2.7	2.0	2.7	2.0	2.9	2.1	2.7
Costs (core earnings) as % of total income	59.0	59.8	55.9	58.3	54.1	57.9	61.7
Return on assets (%)	0.2	0.1	0.2	0.1	0.2	0.2	0.2
Interest rate risk	2.0	2.2	0.3	0.0	0.5	0.5	0.6
Foreign exchange position	1.3	3.0	1.5	1.8	4.5	4.4	9.2
Foreign exchange risk	0.0	0.0	0.0	0.0	0.0	0.0	0.2
Loans and advances relative to deposits *	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Loans and advances relative to shareholders' equity *	6.5	6.4	6.4	6.1	6.1	6.3	6.4
Growth in loans and advances for the period *	1.4	1.1	3.2	0.7	0.5	0.7	0.9
Excess cover relative to statutory liquidity requirements	186.2	185.1	141.1	142.2	177.3	188.4	182.9
Total large exposures	10.2	10.2	10.1	0.0	37.9	36.3	35.5
Accumulated impairment ratio	4.9	4.9	4.9	5.1	5.4	5.7	5.6
Impairment ratio for the period **	0.06	0.11	0.13	0.17	0.16	0.14	0.40
Number of full-time staff at end of period	2,113	2,164	2,147	2,101	2,142	2,187	2,201

* 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 2015	Q1-Q3 2014	Q1-Q3 2013	Q1-Q3 2012	Q1-Q3 2011
Income statement (DKKm)					
Core income	3,289	3,225	3,047	3,162	2,440
Trading income	167	205	192	252	698
Total income	3,456	3,430	3,239	3,414	3,138
Costs, core earnings	2,009	1,986	1,914	1,907	1,890
Core earnings before impairment	1,447	1,444	1,325	1,507	1,248
Impairment of loans and advances etc	272	559	973	1,198	735
Core earnings	1,175	885	352	309	513
Investment portfolio earnings	(87)	81	277	265	(25)
Profit before non-recurring items	1,088	966	629	574	488
Non-recurring items, net	-	84	(13)	(10)	(282)
Profit before tax	1,088	1,050	616	564	206
Tax	256	222	147	141	70
Profit for the period	832	828	469	423	136

Balance sheet highlights (DKKbn)

Loans and advances at amortised cost	72.4	68.0	67.4	67.2	70.0
Loans and advances at fair value	6.6	5.1	4.6	5.9	6.4
Deposits and other debt	76.9	73.0	68.1	63.8	65.0
Bonds issued at amortised cost	3.7	3.7	3.8	3.8	7.5
Subordinated capital	2.1	1.4	1.4	1.4	2.3
Shareholders' equity	11.2	11.1	10.6	10.0	9.5
Total assets	140.9	148.2	144.5	154.0	143.9

Financial ratios per share (DKK per share of DKK 10)

EPS Basic **	11.4	11.3	6.4	5.8	1.9
EPS Diluted **	11.4	11.3	6.4	5.8	1.9
Share price at end of period	253.9	179.6	143.8	109.4	99.0
Book value	156.3	151.0	143.8	136.9	130.5
Share price/book value	1.62	1.19	1.00	0.80	0.76
Average number of shares outstanding (in millions)	72.8	73.3	73.3	73.1	73.3
Dividend per share	-	-	-	-	-

Other financial ratios and key figures

Common Equity Tier 1 capital ratio	14.4	14.8	14.8	13.6	13.0
Tier 1 capital ratio	15.9	16.4	16.5	15.3	14.7
Capital ratio	17.6	17.0	16.9	15.3	15.7
Pre-tax profit as % of average shareholders' equity **	9.7	9.9	6.0	5.8	2.2
Post-tax profit as % of average shareholders' equity **	7.4	7.8	4.6	4.3	1.4
Costs (core earnings) as % of total income	58.1	57.9	59.1	55.9	60.2
Return on assets (%)	0.6	0.6	0.3	0.3	0.1
Interest rate risk	2.0	0.5	0.0	1.1	0.7
Foreign exchange position	1.3	4.5	2.9	3.2	1.8
Foreign exchange risk	0.0	0.0	0.1	0.1	0.1
Loans and advances relative to deposits *	0.8	0.8	0.9	0.9	1.0
Loans and advances relative to shareholders' equity *	6.5	6.1	6.4	6.7	7.3
Growth in loans and advances for the period *	5.8	2.1	(1.1)	(2.4)	(4.1)
Excess cover relative to statutory liquidity requirements	186.2	177.3	200.3	135.3	115.3
Total large exposures	10.2	37.9	22.2	36.7	24.2
Accumulated impairment ratio	4.9	5.4	4.4	3.4	2.0
Impairment ratio for the period **	0.31	0.68	1.24	1.54	0.94
Number of full-time staff at end of period	2,113	2,142	2,078	2,095	2,270

* 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

DKKm	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 2015	742	90	425	10	9,508	536	11,311
Profit for the period	-	-	-	-	832	-	832
Other comprehensive income							
Translation of foreign entities	-	-	-	-	23	-	23
Hedge of net investment in foreign entities	-	-	-	-	(23)	-	(23)
Property revaluation	-	(11)	-	-	11	-	-
Total other comprehensive income	-	(11)	-	-	11	-	-
Comprehensive income for the period	-	(11)	-	-	843	-	832
Transactions with owners							
Purchase of own shares	-	-	-	-	(1,710)	-	(1,710)
Sale of own shares	-	-	-	-	1,322	-	1,322
Dividend paid etc	-	-	-	-	-	(536)	(536)
Dividend, own shares	-	-	-	-	7	-	7
Total transactions with owners	-	-	-	-	(381)	(536)	(917)
Shareholders' equity at 30 Sep 2015	742	79	425	10	9,970	-	11,226
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)
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

* Reserves according to the Articles of Association are identical to the undistributable savings bank reserve in accordance with Article 4 of the Articles of Association.

	30 Sep 2015	Full year 2014	30 Sep 2014
The Sydbank share			
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)	71,821,966	73,355,021	73,292,932
Average number of shares outstanding (number)	72,844,141	73,310,052	73,360,855

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

Capital

DKKkm	30 Sep 2015	31 Dec 2014	30 Sep 2014
Solvency			
Common Equity Tier 1 capital ratio	14.4	13.9	14.8
Tier 1 capital ratio	15.9	15.5	16.4
Capital ratio	17.6	16.0	17.0
Total capital:			
Shareholders' equity	11,226	11,311	11,075
Expected maximum dividend based on dividend policy	(416)	-	(414)
Actual or contingent liabilities to purchase own shares	(106)	-	-
Proposed dividend etc	-	(536)	-
Intangible assets and capitalised deferred tax assets	(366)	(373)	(354)
Significant investments in financial sector	(384)	(301)	-
Common Equity Tier 1 capital	9,954	10,101	10,307
Additional Tier 1 capital	972	1,108	1,107
Tier 1 capital	10,926	11,209	11,414
Tier 2 capital	908	112	111
Difference between expected losses and accounting impairment charges	261	275	262
Total capital	12,095	11,596	11,787
Credit risk	46,189	49,417	47,191
Market risk	7,961	8,003	8,374
Operational risk	8,575	8,575	8,306
Other exposures incl credit valuation adjustment	6,172	6,472	5,561
Total risk exposure	68,897	72,467	69,432
Capital requirement under Pillar I	5,512	5,797	5,555

Cash Flow Statement

DKKm	Q1-Q3 2015	Full year 2014	Q1-Q3 2014
Operating activities			
Pre-tax profit for the period	1,088	1,329	828
Taxes paid	(367)	(90)	(43)
Adjustment for non-cash operating items	333	879	703
Cash flows from working capital	4,565	(1,662)	(1,018)
Cash flows from operating activities	5,619	456	470
Investing activities			
Purchase and sale of holdings in associates	10	1	2
Purchase and sale of intangible assets and property, plant and equipment	(9)	4	11
Cash flows from investing activities	1	5	13
Financing activities			
Purchase and sale of own holdings	(388)	13	13
Dividends etc	(529)	(4)	(4)
Raising of subordinated capital	744	(412)	(413)
Issue of bonds	(16)	(2,722)	(2,724)
Cash flows from financing activities	(189)	(3,125)	(3,128)
Cash flows for the period	5,431	(2,664)	(2,645)
Cash and cash equivalents at 1 Jan	2,285	4,949	4,949
Cash flows for the period	5,431	(2,664)	(2,645)
Total cash and cash equivalents at end of period	7,716	2,285	2,304

Segment Reporting

DKKm	Banking	Asset Manage- ment	Sydbank Markets	Treasury	Other	Total
Operating segments – Q1-Q3 2015						
Core income	3,068	135	86	-	-	3,289
Trading income	-	-	167	-	-	167
Total income	3,068	135	253	-	-	3,456
Costs, core earnings	1,827	41	95	-	46	2,009
Impairment of loans and advances etc	272	-	-	-	-	272
Core earnings	969	94	158	-	(46)	1,175
Investment portfolio earnings	-	-	-	(89)	2	(87)
Profit before non-recurring items	969	94	158	(89)	(44)	1,088
Non-recurring items, net	-	-	-	-	-	-
Profit before tax	969	94	158	(89)	(44)	1,088

DKKm	Banking	Asset Manage- ment	Sydbank Markets	Treasury	Other	Total
Operating segments – Q1-Q3 2014						
Core income	3,031	127	67	-	-	3,225
Trading income	-	-	205	-	-	205
Total income	3,031	127	272	-	-	3,430
Costs, core earnings	1,807	42	91	-	46	1,986
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

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.

The accounting policies are consistent with those adopted in the 2014 Annual Report, to which reference is made.

The 2014 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 2014.

The Group’s significant risks and the external elements which may affect the Group are described in greater detail in the 2014 Annual Report.

Notes

DKKkm	Q1-Q3 2015	Q1-Q3 2014	Q3 2015	Q3 2014
Note 2				
Interest income				
Reverse transactions with credit institutions and central banks	(28)	(3)	(8)	(1)
Amounts owed by credit institutions and central banks	(4)	13	(3)	4
Reverse loans and advances	(17)	5	(7)	2
Loans and advances and other amounts owed	2,057	2,217	688	739
Bonds	219	377	61	133
Derivatives	(84)	(95)	(40)	(28)
comprising:				
Foreign exchange contracts	72	80	23	18
Interest rate contracts	(156)	(175)	(63)	(46)
Other contracts	0	0	0	0
Other interest income	8	3	4	6
Total	2,151	2,517	695	855

Note 3

Interest expense				
Repo transactions with credit institutions and central banks	(30)	8	(8)	2
Credit institutions and central banks	17	41	5	14
Repo deposits	(2)	0	(2)	0
Deposits and other debt	209	330	64	109
Bonds issued	45	60	15	15
Subordinated capital	25	26	10	7
Other interest expense	1	1	0	0
Total	265	466	84	147

Note 4

Fee and commission income				
Securities trading and custody accounts	779	679	267	230
Payment services	217	212	75	75
Loan fees	130	84	30	35
Guarantee commission	81	88	28	27
Other fees and commission	237	233	69	78
Total	1,444	1,296	469	445

Notes

DKKkm	Q1-Q3 2015	Q1-Q3 2014	Q3 2015	Q3 2014
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Note 5

Market value adjustments

Other loans and advances and amounts owed at fair value	2	0	0	0
Bonds	(175)	424	28	88
Shares etc	88	259	36	35
Investment property	0	1	0	0
Foreign exchange	165	124	47	48
Total derivatives	90	(397)	(30)	(102)
Assets related to pooled plans	(90)	623	(479)	108
Deposits in pooled plans	88	(624)	479	(109)
Other assets/liabilities	(2)	1	1	0
Total	166	411	82	68

Note 6

Staff costs and administrative expenses

Salaries and remuneration:				
Group Executive Management	11	9	4	3
Board of Directors	3	3	1	1
Shareholders' Committee	2	2	1	1
Total	16	14	6	5

Staff costs:

Wages and salaries	922	922	284	283
Pensions	97	102	32	37
Social security contributions	12	5	4	2
Payroll tax etc	105	108	36	35
Total	1,136	1,137	356	357

Other administrative expenses:

IT	408	421	136	138
Rent etc	82	108	28	33
Marketing and entertainment expenses	53	52	15	12
Other costs	157	158	42	48
Total	700	739	221	231
Total	1,852	1,890	583	593

Note 7

Staff

Average number of staff (full-time equivalent)	2,169	2,228	2,166	2,200
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Notes

DKKkm	Q1-Q3 2015	Q1-Q3 2014	Q3 2015	Q3 2014
Note 8				
Other operating expenses				
Contributions to the Guarantee Fund for Depositors and Investors	90	91	30	30
Other expenses	0	1	0	1
Total	90	92	30	31
Note 9				
Impairment of loans and advances recognised in the income statement				
Impairment and provisions	201	504	5	45
Write-offs	133	121	80	96
Recovered from debt previously written off	62	72	30	30
Impairment of loans and advances etc	272	553	55	111
Impairment and provisions at end of period				
Individual impairment and provisions	3,801	4,277	3,801	4,277
Collective impairment and provisions	438	192	438	192
Impairment and provisions at end of period	4,239	4,469	4,239	4,469
Individual impairment of loans and advances and provisions for guarantees				
Impairment and provisions at 1 Jan	4,111	4,164	3,918	4,454
Exchange rate adjustment	0	0	0	0
New individual impairment charges	1,096	1,338	225	176
Reversed individual impairment charges	871	760	200	127
Impairment charges previously recorded, now finally written off	535	465	142	226
Impairment and provisions at end of period	3,801	4,277	3,801	4,277
Individual impairment of loans and advances	3,687	4,166	3,687	4,166
Individual provisions for guarantees	114	111	114	111
Impairment and provisions at end of period	3,801	4,277	3,801	4,277
Collective impairment of loans and advances and provisions for guarantees				
Impairment and provisions at 1 Jan	301	137	389	150
Impairment and provisions during the period	137	55	49	42
Impairment and provisions at end of period	438	192	438	192
Sum of loans and advances and amounts owed subject to collective impairment and provisions	6,809	5,123	6,809	5,123
Collective impairment and provisions	438	192	438	192
Loans and advances and amounts owed after collective impairment and provisions	6,371	4,931	6,371	4,931
Individual impairment of loans and advances subject to objective evidence of impairment				
Balance before impairment of individually impaired loans and advances	6,479	7,128	6,479	7,128
Impairment of individually impaired loans and advances	3,687	4,166	3,687	4,166
Balance after impairment of individually impaired loans and advances	2,792	2,962	2,792	2,962
Accrued interest concerning individually and collectively impaired loans and advances	401	491	144	175

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 2015	31 Dec 2014	30 Sep 2015	31 Dec 2014	Q1-Q3 2015	Q1-Q3 2014	Q1-Q3 2015	Q1-Q3 2014
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	6,624	8,672	1,100	976	141	66	122	71
<i>Pig farming</i>	1,976	2,424	308	288	42	43	43	29
<i>Cattle farming</i>	1,953	2,877	653	540	90	(15)	30	19
<i>Crop production</i>	1,577	1,800	52	42	9	15	8	5
<i>Other agriculture</i>	1,118	1,571	87	106	0	23	41	18
Manufacturing and extraction of raw materials	7,734	7,166	169	227	(16)	11	30	48
Energy supply etc	3,026	2,969	30	20	5	14	4	22
Building and construction	3,425	3,119	114	137	12	4	46	21
Trade	12,879	12,049	408	478	(3)	92	67	48
Transportation, hotels and restaurants	3,337	3,054	66	72	0	2	4	10
Information and communication	509	548	23	28	(2)	15	3	0
Finance and insurance	6,584	6,131	238	365	(42)	71	81	14
Real property	6,830	7,843	416	567	0	180	143	203
<i>Leasing of commercial property</i>	3,280	3,632	197	275	(10)	46	48	31
<i>Leasing of residential property</i>	1,254	1,831	129	151	1	64	25	131
<i>Housing associations and cooperative housing associations</i>	1,511	1,336	-	-	-	-	-	-
<i>Purchase, development and sale on own account</i>	605	749	77	116	3	39	37	33
<i>Other related to real property</i>	180	295	13	25	6	31	33	8
Other corporate lending	3,654	3,906	180	158	14	30	19	41
Total corporate lending	54,602	55,457	2,744	3,028	109	485	519	478
Public authorities	763	880						
Retail clients	31,796	30,257	943	968	26	13	149	108
Collective impairment charges			438	301	137	55		
Provisions for guarantees			114	115				
Total	87,161	86,594	4,239	4,412	272	553	668	586

Notes

DKKm	Q1-Q3 2015	Q1-Q3 2014	Q3 2015	Q3 2014
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Note 10

Profit on holdings in associates and subsidiaries

Profit/(Loss) on holdings in associates etc	5	9	1	1
Total	5	9	1	1

Note 11

Effective tax rate

Current tax rate of Sydbank	23.5	24.5	23.5	24.5
Permanent differences *	-	(3.5)	-	-
Adjustment of prior year tax charges	-	0.1	-	0.2
Effective tax rate	23.5	21.1	23.5	24.7

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

DKKm	30 Sep 2015	31 Dec 2014	30 Sep 2014
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Note 12

Amounts owed by credit institutions and central banks

Amounts owed at notice by central banks	3,000	1,450	-
Amounts owed by credit institutions	5,663	8,144	7,538
Total	8,663	9,594	7,538
Of which reverse transactions	4,398	6,731	5,997

Note 13

Other assets

Positive market value of derivatives etc	8,271	12,164	11,503
Sundry debtors	418	424	466
Interest and commission receivable	236	283	328
Cash collateral provided, CSA agreements	2,483	3,505	3,452
Other assets	1	0	0
Total	11,409	16,376	15,749

Notes

DKKm	30 Sep 2015	31 Dec 2014	30 Sep 2014
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Note 14

Amounts owed to credit institutions and central banks

Amounts owed to central banks	75	1,500	1,105
Amounts owed to credit institutions	20,571	30,551	26,687
Total	20,646	32,051	27,792
Of which repo transactions	9,792	18,472	13,784

Note 15

Deposits and other debt

On demand	60,799	58,424	57,834
At notice	344	339	345
Time deposits	10,074	9,356	8,798
Special categories of deposits	5,667	5,803	6,042
Total	76,884	73,922	73,019
Of which repo transactions	348	2,601	686

Note 16

Other liabilities

Negative market value of derivatives etc	8,596	12,677	11,973
Sundry creditors etc	1,173	1,135	1,476
Negative portfolio, reverse transactions	3,834	3,770	5,653
Interest and commission etc	154	50	235
Cash collateral received, CSA agreements	721	1,208	1,066
Total	14,478	18,840	20,403

Note 17

Provisions

Provisions for pensions and similar obligations	4	4	4
Provisions for deferred tax	80	73	-
Provisions for guarantees	114	115	111
Other provisions *	70	74	76
Total	268	266	191

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

Notes

DKK m	30 Sep 2015	31 Dec 2014	30 Sep 2014
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Note 18

Subordinated capital

Interest rate	Note		Nominal (m)	Maturity			
2.13 (fixed)	1)	Bond loan	EUR 100	11 Mar 2027	740	-	-
Total Tier 2 capital					740	-	-
1.08 (floating)	2)	Bond loan	EUR 100	Perpetual	745	742	742
1.14 (floating)	3)	Bond loan	EUR 75	Perpetual	559	558	557
6.36 (fixed)	4)	Bond loan	DKK 85	Perpetual	85	85	85
Total Additional Tier 1 capital					1,389	1,385	1,384
Total subordinated capital					2,129	1,385	1,384
1) Optional redemption from 11 March 2022 after which the interest rate will be fixed at 1.72% above 5Y Mid-Swap.							
2) Optional redemption on 25 April 2017 after which the interest rate will be fixed at 2.10% above 3M EURIBOR.							
3) The interest rate follows 10Y Mid-Swap plus a premium of 0.2%.							
4) Optional redemption on 14 May 2017 after which the interest rate will be fixed at 1.75% above 3M CIBOR.							
Costs relating to the raising and redemption of subordinated capital					0	0	0

Note 19

Contingent liabilities and other obligating agreements

Contingent liabilities

Financial guarantees	4,042	3,604	3,639
Mortgage finance guarantees	1,790	1,464	2,669
Registration and remortgaging guarantees	3,059	7,152	2,404
Other contingent liabilities	1,723	1,626	1,596
Total	10,614	13,846	10,308

Other obligating agreements

Irrevocable credit commitments	1,403	1,196	405
Other liabilities	37	49	63
Total	1,440	1,245	468

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.

The deposit guarantee scheme has been changed and the EU's recovery and resolution directive has been implemented in Danish law effective 1 June 2015. The new guarantee fund will cover losses on covered deposits with distressed credit institutions. The fund must account for at least 0.8% of the covered deposits. It is expected that any under-financing at year-end 2015 will be insignificant. From 2016 any contributions to the fund will be calculated on the basis of the credit institution's covered deposits and risk relative to other credit institutions in Denmark.

Notes

DKK m	30 Sep 2015	31 Dec 2014	30 Sep 2014
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Note 19 – continued

Moreover a Danish resolution fund has been established. The individual credit institution will contribute to the fund on the basis of its size and risk relative to other credit institutions in Denmark. The resolution fund must be established and have assets at its disposal equal to at least 1% of the covered deposits with all Danish credit institutions by 31 December 2024. The first contributions to the fund must be paid by 31 December 2015. The intention is that losses will be covered by the annual contributions from the participating credit institutions.

If one of the funds suffers a loss the annual contribution may be increased.

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 purchasing securities to be resold at a later date, the Group is entitled to sell 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	10,328	21,301	14,569
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Assets purchased as part of reverse transactions

Bonds at fair value	10,932	13,518	10,998
Shares etc	3	-	1

Note 21

Collateral

At 30 September 2015 the Group had deposited as collateral securities at a market value of DKK 63m with Danish and foreign exchanges and clearing centres etc in connection with margin calls and securities settlements etc.

Notes

DKKkm	Q1-Q3 2015	Q1-Q3 2014	Index 15/14	Full year 2014
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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 2015. Reference is made to the Group's 2014 Annual Report for a detailed description of transactions with related parties.

Note 23

Reporting events occurring after the balance sheet date

No matters of significant impact on the financial position of the Sydbank Group have occurred after the expiry of Q1-Q3 2015.

Note 24

Large shareholders

Silchester International Investors LLP owns more than 5% of Sydbank's share capital.

Note 25

Core income

Net interest etc	1,812	1,890	96	2,521
Mortgage credit *	290	262	111	359
Payment services	153	165	93	219
Remortgaging and loan fees	130	81	160	127
Commission and brokerage	320	253	126	351
Commission etc investment funds and pooled pension plans	260	259	100	339
Asset management	135	132	102	174
Custody account fees	57	61	93	80
Other income	132	122	108	149
Total	3,289	3,225	102	4,319

* Mortgage credit

Totalkredit cooperation	250	213	117	294
Totalkredit, set-off of loss	24	24	100	34
Totalkredit cooperation, net	226	189	120	260
DLR Kredit	62	62	100	88
Other mortgage credit income	2	11	-	11
Total	290	262	111	359

Notes

DKKm

Note 26

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.

The fair value of unlisted shares and other holdings is calculated on the basis of available information on trades etc – including to a very significant extent on shareholders agreements based on book value. To an insignificant extent fair value is calculated on the basis of expected cash flows.

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 146m.

Notes

30 Sep 2015

DKKm	Quoted prices	Observable inputs	Unobservable inputs	Total fair value	Carrying amount
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Note 26 – continued

Financial assets

Amounts owed by credit institutions and central banks	-	4,398	-	4,398	4,398
Loans and advances at fair value	-	6,600	-	6,600	6,600
Bonds at fair value	-	23,672	-	23,672	23,672
Shares etc	161	26	1,460	1,647	1,647
Assets related to pooled plans	4,082	7,468	-	11,550	11,550
Other assets	43	8,308	-	8,351	8,351
Total	4,286	50,472	1,460	56,218	56,218

Financial liabilities

Amounts owed to credit institutions and central banks	-	9,792	-	9,792	9,792
Deposits and other debt	-	348	-	348	348
Deposits in pooled plans	-	11,560	-	11,560	11,560
Other liabilities	27	12,403	-	12,430	12,430
Total	24	34,103	-	34,130	34,130

DKKm	30 Sep 2015	30 Sep 2014
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Assets measured on the basis of unobservable inputs

Carrying amount at 1 Jan	1,392	1,357
Additions	24	32
Disposals	18	422
Market value adjustment	62	200
Value at end of period	1,460	1,167

Recognised in profit for the period

Interest income	-	-
Dividend	32	33
Market value adjustment	62	200
Total	94	233

Notes

DKKm

31 Mar 2015

Note 27

Acquisitions

On 31 March 2015 the Group acquired all activities from Sydinvest Administration A/S.

Statement of fair value

Assets

Amounts owed by credit institutions and central banks	4
Bonds at fair value	32
Intangible assets, software and development costs	5
Intangible assets, customer relationships	6
Other assets	7
Prepayments	2
Total assets	56

Liabilities

Other liabilities	12
Total liabilities	12

Net assets acquired	44
Purchase price	44
Goodwill	0

The purchase price for Sydinvest Administration A/S has been settled in cash.

No transaction costs have been paid in connection with the acquisition.

The Group's profit would have been unchanged if the acquisition date had been 1 January 2015.

The ordinary activities of the activity acquired affect Group profit by DKK 4m for Q1-Q3 2015.

							Sydbank Group	
DKKm	Activity	Owner- ship share (%)	Share- holders' equity	Total assets	Total liabilities	Income	Result	

Note 28

Group holdings and enterprises

DiBa A/S, Aabenraa	Investments	100	362	362	0	3	7
Ejendomsselskabet af 1. juni 1986 A/S, Aabenraa	Real property	100	23	184	161	13	3
Sydbank (Schweiz) AG, in Liquidation, St. Gallen, Switzerland	Banking	100	223	225	2	0	6
Sydinvest Administrationselskab A/S, Aabenraa	Administration	100	40	66	26	68	0

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

Management Statement

We have reviewed and approved the Interim Report – Q1-Q3 2015 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 2015 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 2015. 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, 27 October 2015

Group Executive Management

Karen Frøsig
CEO

Bjarne Larsen

Jan Svarre

Board of Directors

Torben H. Nielsen
Chairman

Peder Damgaard
Vice-Chairman

Svend Erik Busk

Alex Slot Hansen

Erik Bank Lauridsen

Lars Mikkilgaard-Jensen

Frank Møller Nielsen

Jacob Chr. Nielsen

Bo Normann Rasmussen

Jarl Oxlund

Margrethe Weber

Supplementary Information

Financial calendar

In 2016 the Group's preliminary announcement of financial statements will be released as follows:

- Announcement of the 2015 Financial Statements
24 February 2016
- Annual General Meeting 2015 *
17 March 2016
- Interim Report – Q1 2016
27 April 2016
- Interim Report – First Half 2016
17 August 2016
- Interim Report – Q1-Q3 2016
25 October 2016

*) Motions submitted by shareholders to be discussed at the Annual General Meeting on 17 March 2016 must be received by the Bank no later than 4 February 2016.

Sydbank contacts

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Relevant links

sydbank.dk
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For further information reference is made to Sydbank's 2014 Annual Report at sydbank.com.