
Interim Report – Q1-Q3 2015

Solid performance – growth in lending for seventh consecutive quarter

27 October 2015

Highlights for Q1-Q3 2015

Key points

Solid performance – growth in lending for seventh consecutive quarter

Profit

Profit of DKK 832m – ROE of 9.8% p.a. after tax

Core income

Core income of DKK 3,289m – 2% increase compared with 9M 2014

Income

Income of DKK 3,456m – 1% increase compared with 9M 2014

Costs

Costs of DKK 2,009m – 1% rise compared with 9M 2014

Impairment charges

Impairment charges of DKK 272m – reduced by 51% compared with 9M 2014

Bank loans

DKK 3.9bn rise in bank loans and advances, equal to 5.8% in 9M 2015

Capital

CET1 ratio of 14.4% – increase of 0.5 percentage points compared with Q4 2014

Share buy-back

At end-Q3 purchases of DKK 398m of current buy-back totalling DKK 500m

Core income – the effect of the negative interest environment is now becoming clear

DKKm	9M 2015	9M 2014	Index	Q3 2015	Q2 2015	Index
Net interest income etc	1,812	1,890	96	608	609	100
Mortgage credit*	290	262	111	86	108	80
Payment services	153	165	93	51	49	104
Remortgaging and loan fees	130	81	160	31	47	66
Commission and brokerage	320	253	126	92	96	96
Commission etc investment funds and pooled pension plans	260	259	100	79	94	84
Asset management	135	132	102	43	45	96
Custody account fees	57	61	93	18	20	90
Other income	132	122	108	54	44	123
Total	3,289	3,225	102	1,062	1,112	96
* Set-off of loss Totalkredit	24	24	100	9	7	129

Key points 9M 15 vs 9M 14:

- Net interest income down by 4%
- Mortgage credit up by 11%
- Remortgaging and loan fees up by 60%
- Commission and brokerage up by 26%

Key points Q3 15 vs Q2 15:

- Net interest income unchanged despite an extra interest day
- Mortgage credit down by 20%
- Remortgaging and loan fees down by 34%
- Commission etc. investment funds etc. down by 16%
- Other items up by 2%.

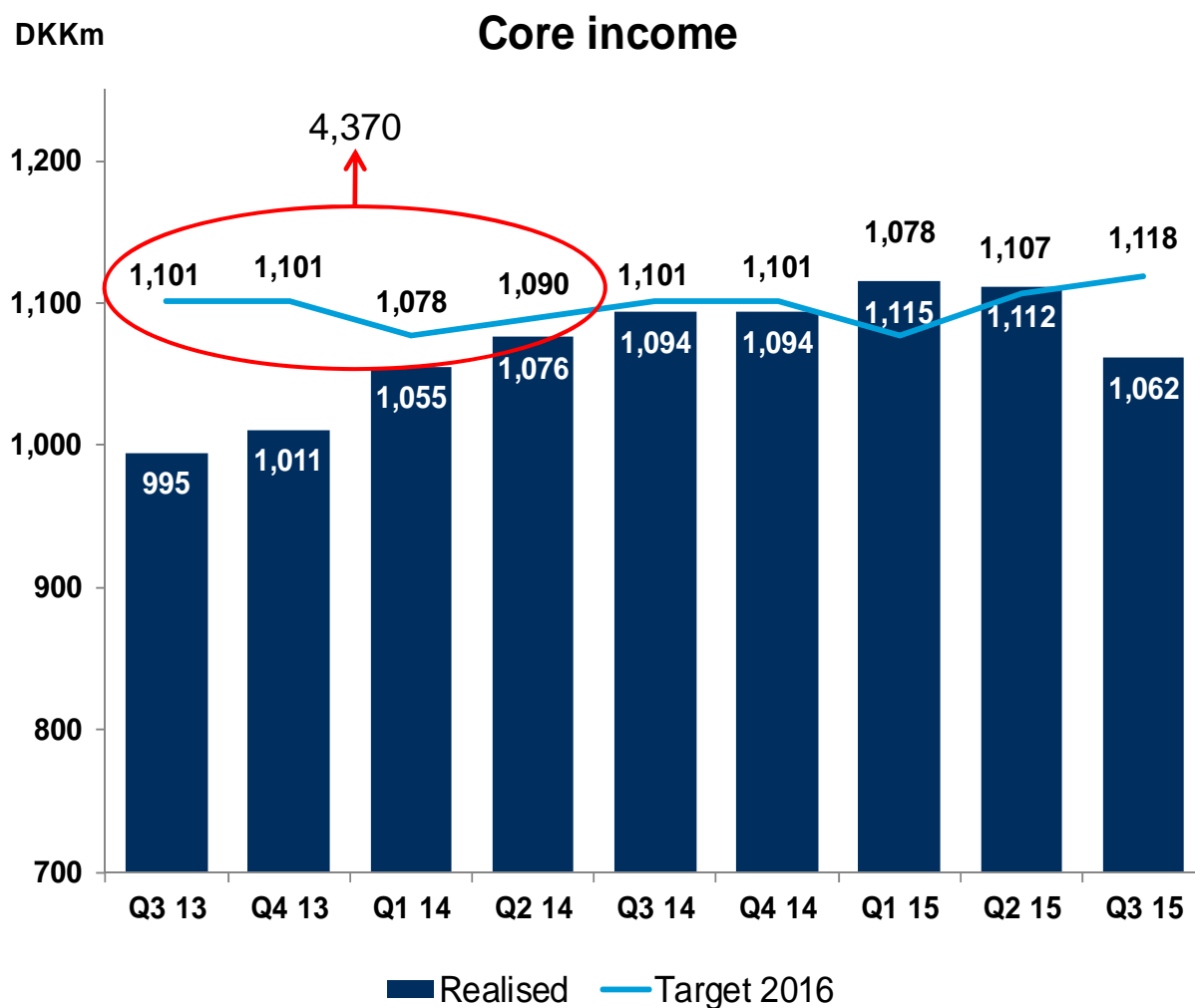
Comments to income in Q3 15 vs Q2 15:

Mortgage credit income: DKK 18m of the decrease is attributable to a lower return on the investment in DLR

Remortgaging and loan fees: The decrease is due to a drop in remortgaging activity

Commission etc investment funds and pooled pension plans: The decrease is mainly attributable to the declining volume as a result of price developments

Strengthening of core income – accumulated 9M 2015 DKK 14m below the target for 2016

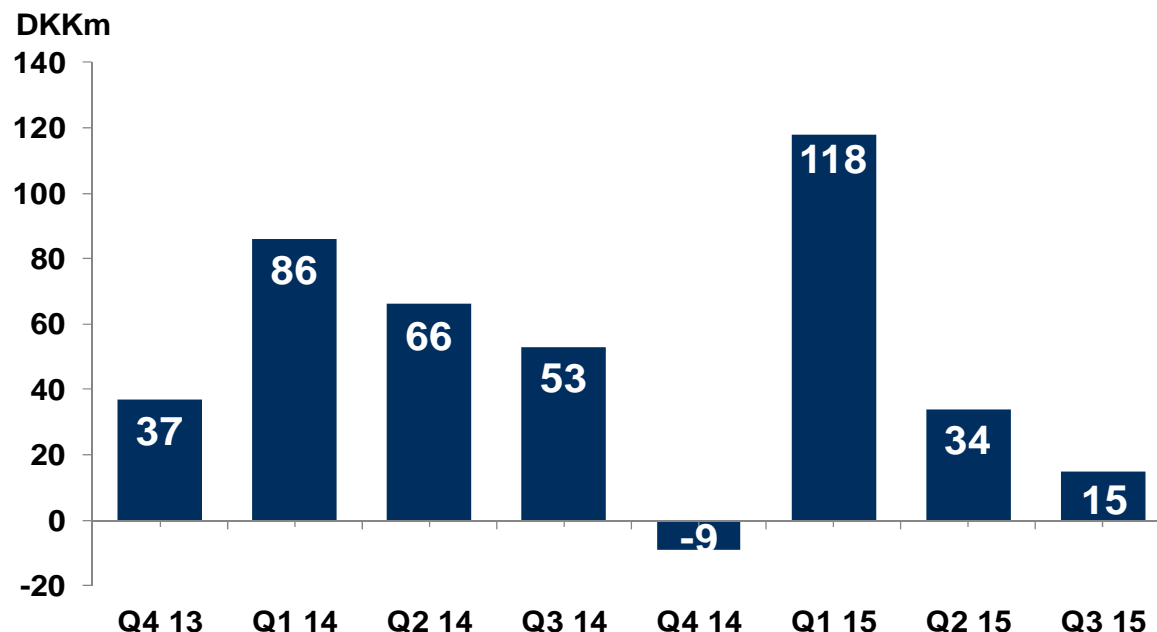


Below the target for 2016 among other things as a result of the significant blow to net interest prompted by the decline in market rates.

Trading income – continued market turbulence in Q3 2015

Key points:

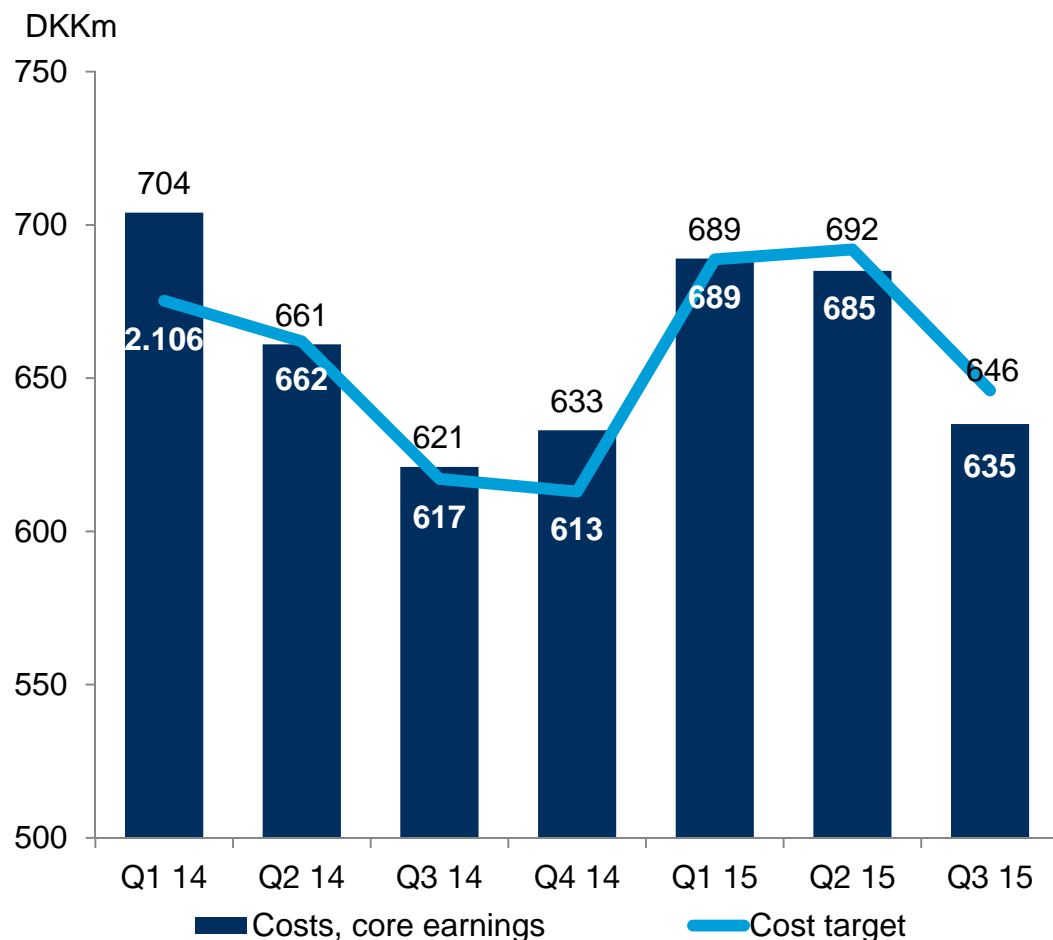
- DKK 167m recorded in 9M 2015 vs DKK 205m in 9M 2014
- In Q3 Fixed Income was adversely affected by continued turbulence in the market. The credit spreads on bonds not classified as level 1 in the LCR calculation have widened, which has resulted in a negative trading portfolio return.



Trading income

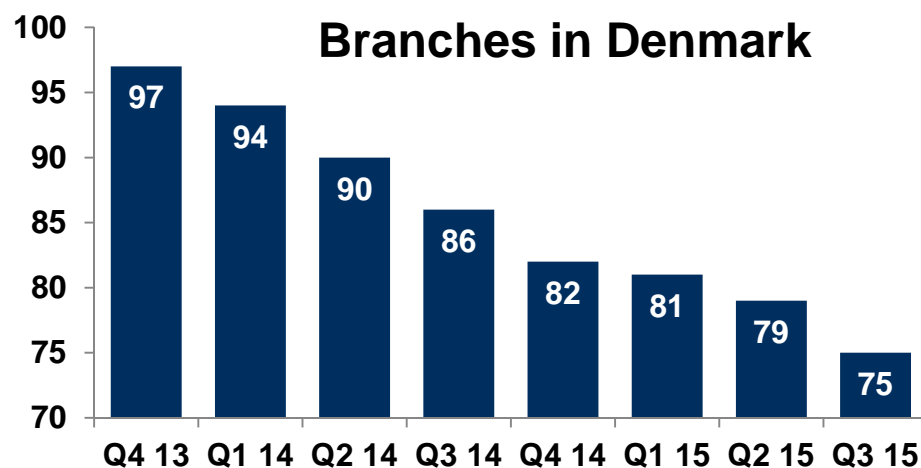
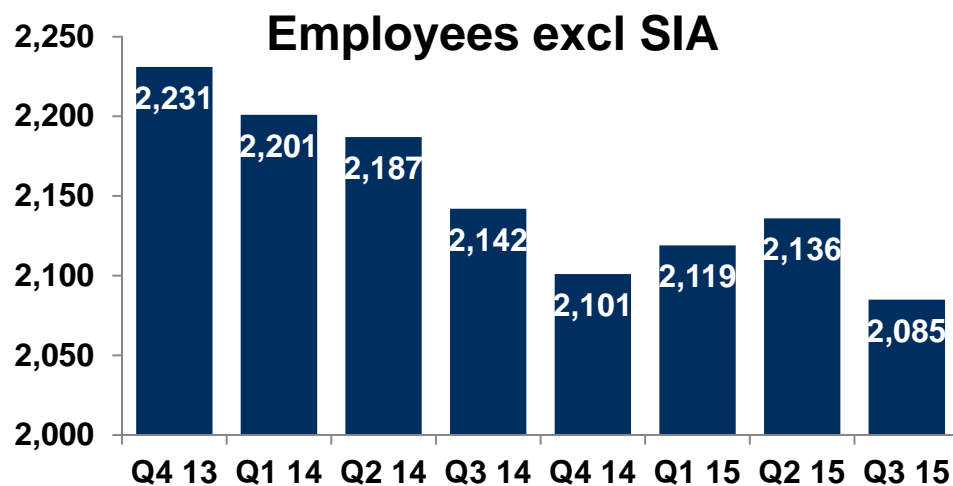
DKKm	Q4 13	Q1 14	Q2 14	Q3 14	Q4 14	Q1 15	Q2 15	Q3 15
Fixed Income	18	36	32	19	-29	64	1	-4
Equities	19	31	26	17	9	32	18	8
Money Market and Foreign Exchange	0	19	8	17	11	22	15	11
Total	37	86	66	53	-9	118	34	15

Costs (core earnings) – Q3 2015 slightly better than the target for 2016



- Sydbank's costs amounted to DKK 2,514m in 2013
- In addition the cost base from DiBa represented DKK 203m
- Savings plan of DKK 200m compensates for DiBa effect
- The plan has been completed when costs equal 2013, plus price increases as well as the effect of the acquisition of Sydinvest Administration
- In Q3 2015 costs of DKK 635m are DKK 10m below the target for 2016 in terms of 2015 prices
- The reduction must be viewed on a full-year basis.

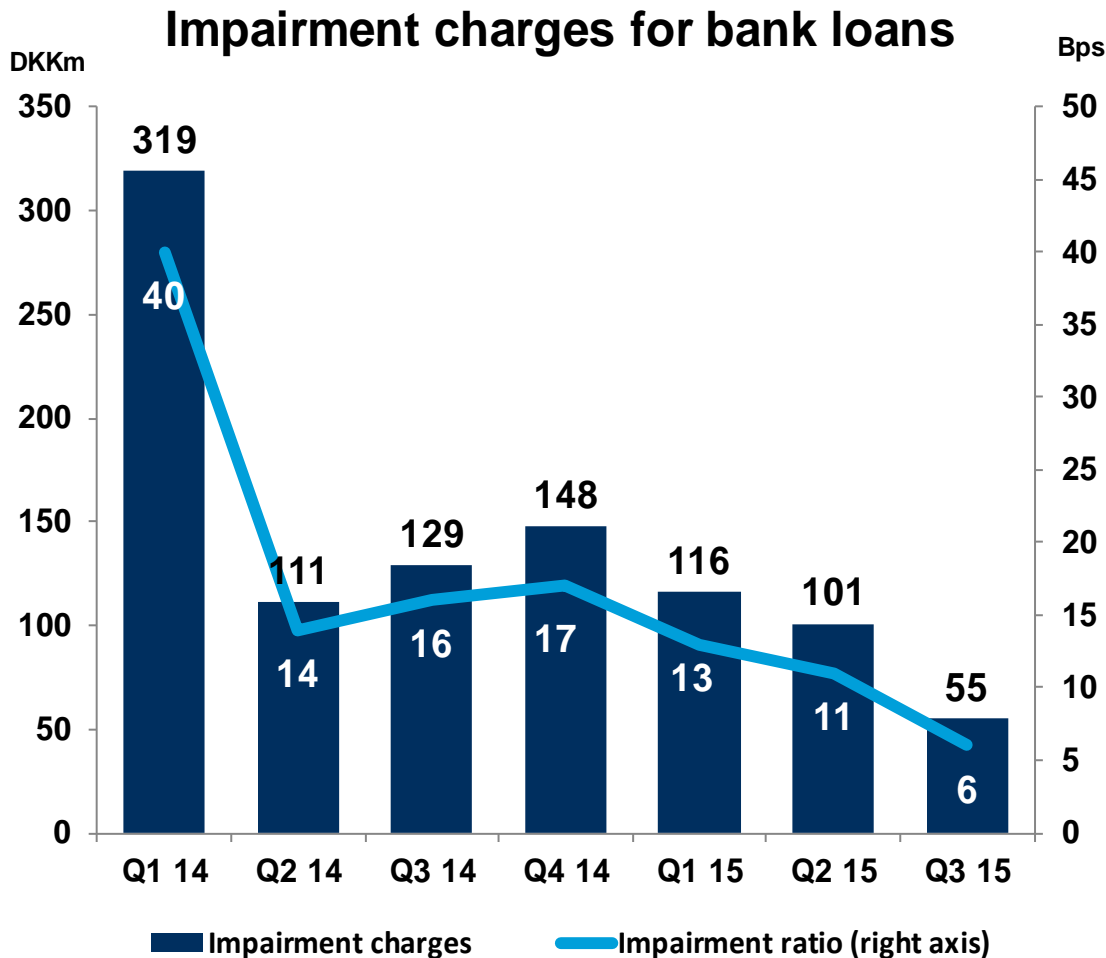
Reduction in costs (core earnings) – automation a necessity



Initiatives in 2015:

- Large increase in activities in areas in which systems support has not yet been optimised
- Temporary appointments as a result of high activity combined with lacking efficiency improvement and process automation
- Efficiency improvement and automation are necessary to reduce costs further
- Electronic document handling is an important element in the automation process
- Introduction of new cash handling concept in H2 2015.

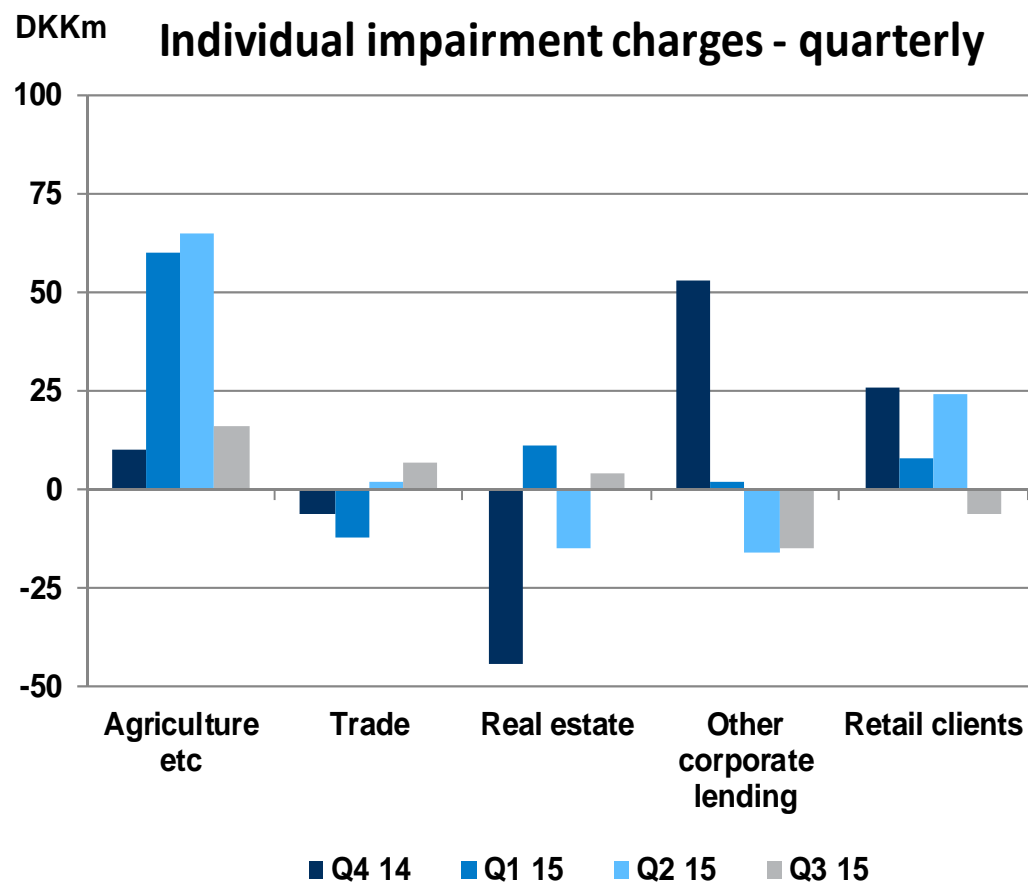
Impairment charges represent DKK 55m – equal to 6 bps



Impairment charges represent:

- 31 bps in 9M 15, down from 68 bps in 9M 14
- 6 bps in Q3 15, down from 11 bps in Q2 15
- 6 bps is the lowest level since Q3 2008.

Impairment charges in Q3 2015 are collective impairments related to agriculture



Key points Q3 2015:

- DKK 50m of impairment charges for the quarter, consists of collective impairment charges related to agriculture.

Key points 9M 2015:

- Impairment charges for agriculture and collective impairment charges total DKK 278m. Impairment charges total DKK 272m.

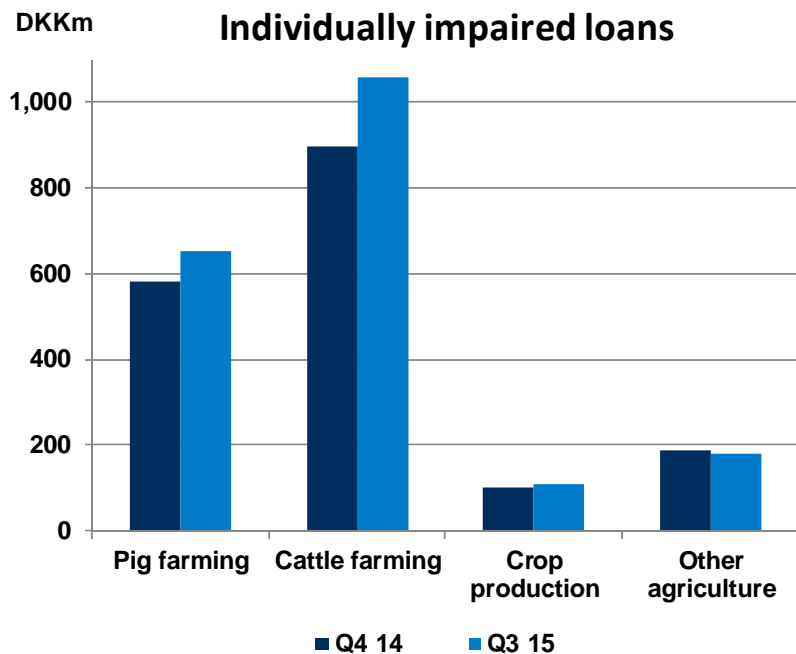
Quarterly impairment charges

DKKm	Q2 14	Q3 14	Q4 14	Q1 15	Q2 15	Q3 15
Agriculture etc	8	58	10	60	65	16
Trade	24	18	-6	-12	2	7
Real estate	95	-22	-44	11	-15	4
Other corporate lending	0	52	53	2	-16	-15
Total corporate lending	127	106	13	61	36	12
Retail clients	-30	-19	26	8	24	-6
Individual impairments	97	87	39	69	60	6
Collective provisions	14	42	109	47	41	49
Total impairments	111	129	148	116	101	55

Agriculture – impairment charges up by 2.5 percentage points in 9M 2015

Key points:

- Bank loans are at the same level as at year-end 2014
- Impaired bank loans have increased by DKK 231m. Increase of 3.6 percentage points of bank loans
- 20.0% impairment charges of bank loans at the end of Q3 2015 vs 19.8% at the end of Q2 2015 and 17.5% at year-end 2014.



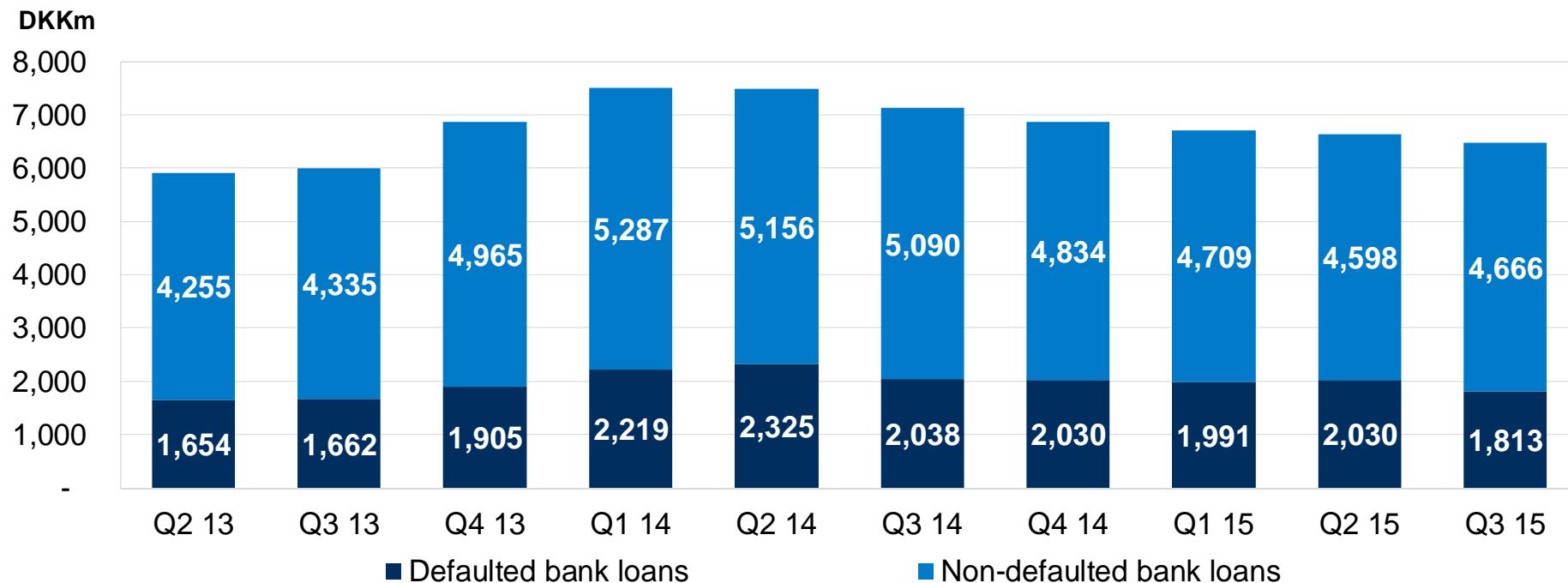
30 September 2015

DKKm	Pig farming	Cattle farming	Crop production	Other agriculture	Total
Bank loans	1.938	1.879	1.496	1.066	6.379
Individual impairment charges	308	653	52	87	1.100
Collective impairment charges	85	90			175
Loans after impairment charges	1.545	1.136	1.444	979	5.104
Impaired bank loans	582	897	100	188	1.767
Impaired as % of bank loans	30,0	47,7	6,7	17,6	27,7
Impairment as % impaired loans	52,9	72,8	52,0	46,3	62,3
Impairment as % bank loans	20,3	39,5	3,5	8,2	20,0

31 December 2014

DKKm	Pig farming	Cattle farming	Crop production	Other agriculture	Total
Bank loans	1.853	1.845	1.381	1.222	6.301
Individual impairment charges	288	540	42	106	976
Collective impairment charges	85	40			125
Loans after impairment charges	1.480	1.265	1.339	1.116	5.200
Impaired bank loans	582	897	100	188	1.767
Impaired as % of bank loans	31,4	48,6	7,2	15,4	28,0
Impairment as % impaired loans	49,5	60,2	42,0	56,4	55,2
Impairment as % bank loans	20,1	31,4	3,0	8,7	17,5

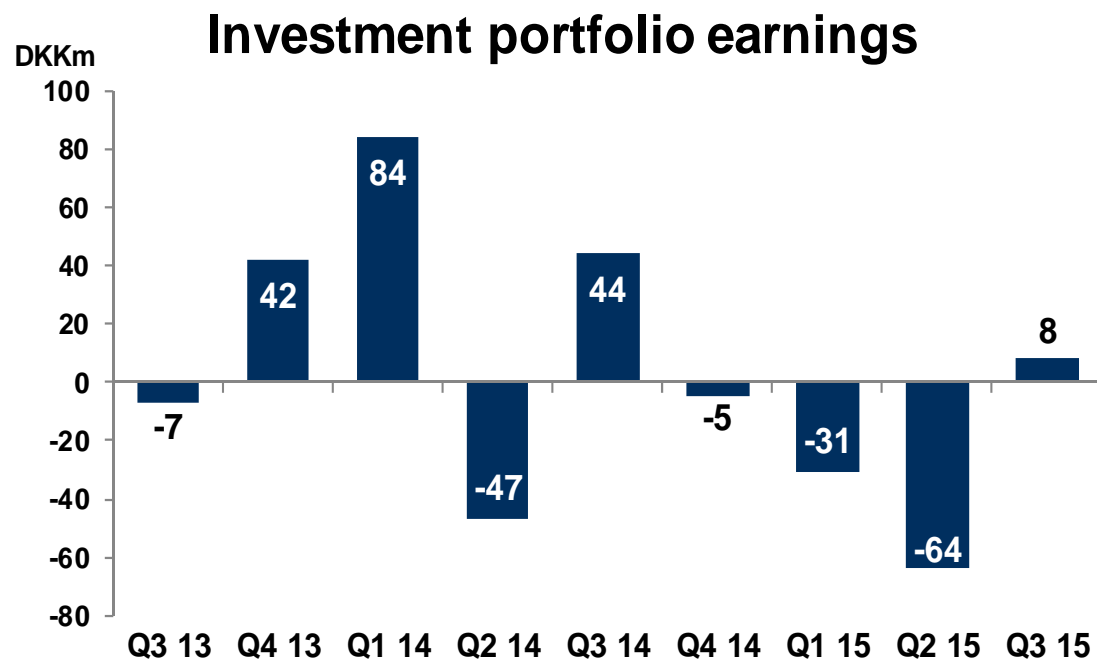
Impaired bank loans – down for sixth consecutive quarter – 2% in Q3



Individually impaired bank loans

DKKm	30 Sep 2014	31 Dec 2014	30 Sep 2015
Non-defaulted bank loans	5,090	4,834	4,666
Defaulted bank loans	2,038	2,030	1,813
Impaired bank loans	7,128	6,864	6,479
Impairment charges for bank loans subject to individual impairment	4,166	3,996	3,687
Impaired bank loans after impairment charges	2,962	2,868	2,792
Impaired bank loans as % of bank loans before impairment charges	9.9	9.4	8.5
Impairment charges as % of bank loans before impairment charges	5.8	5.5	4.8
Impairment as % of impaired bank loans	58.4	58.2	56.9
Impairment as % of defaulted bank loans	204.4	196.8	203.4

Investment portfolio earnings – moderately positive result in Q3 2015



Key points Q3 2015:

- The moderate investment portfolio earnings are a consequence of the widened credit spread on the portfolio of bonds that do not qualify as level 1 assets in the LCR calculation.

Investment portfolio earnings

DKKm	Q2 14	Q3 14	Q4 14	Q1 15	Q2 15	Q3 15
Position-taking	-17	37	-7	-69	-69	5
Liquidity generation and reserves	-1	6	-6	40	7	2
Strategic positions	-27	2	10	0	0	2
Costs	-2	-1	-2	-2	-2	-1
Total	-47	44	-5	-31	-64	8

Income statement – significant decline in impairment charges causes rise in core earnings of 33%

DKKm	9M 2015	9M 2014	Index	Q3 2015	Q2 2015	Index
Core income	3,289	3,225	102	1,062	1,112	96
Trading income	167	205	81	15	34	44
Total income	3,456	3,430	101	1,077	1,146	94
Costs, core earnings	2,009	1,986	101	635	685	93
Core earnings before impairment	1,447	1,444	100	442	461	96
Impairment of loans and advances etc	272	559	49	55	101	54
Core earnings	1,175	885	133	387	360	108
Investment portfolio earnings	-87	81	-	8	-64	-
Profit before non-recurring items	1,088	966	113	395	296	133
Non-recurring items, net	0	84	-	0	0	-
Profit before tax	1,088	1,050	104	395	296	133
Tax	256	222	115	93	70	133
Profit for the period	832	828	100	302	226	134
Costs (core earnings) / total income, C/I	0.58	0.58		0.59	0.60	
Return on equity, ROE	7.4	7.8		2.7	2.0	
Earnings per share, EPS	11.4	11.3		4.2	3.1	

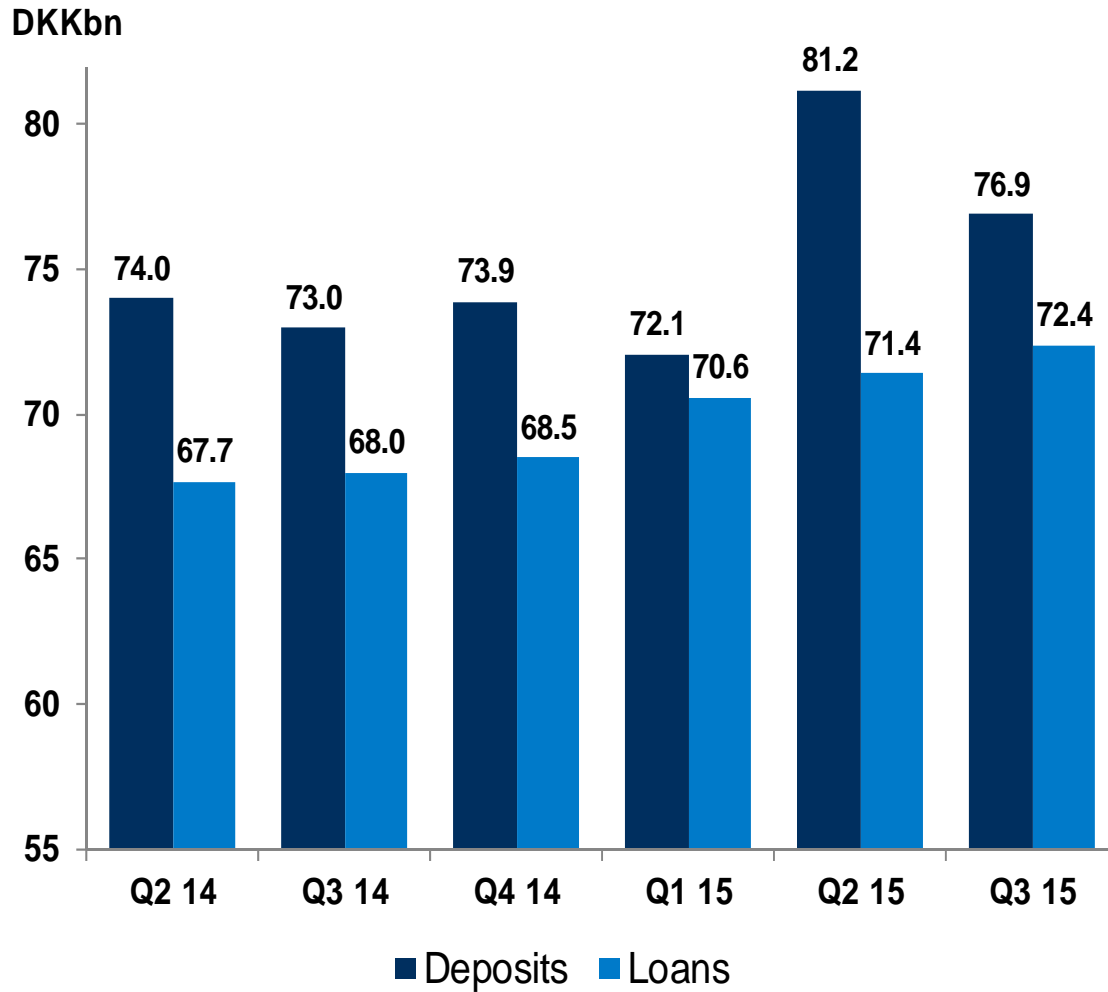
Key points 9M 15 vs 9M 14

- Core income up by 2% - all-time high
- Costs (core earnings) up by 1% due to purchase of SIA
- Impairment charges down by 51% from 68bps to 31bps
- Core earnings up by 33%

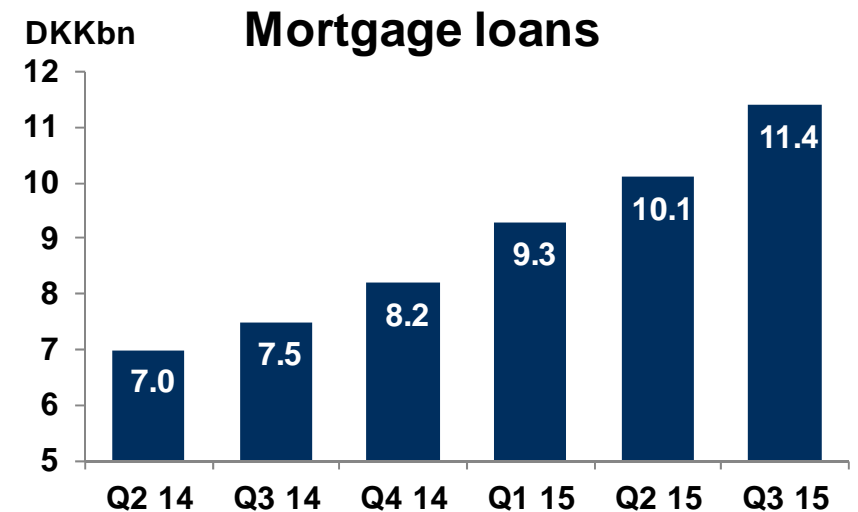
Key points Q2 15 vs Q1 15

- Core income down by 4%
- Total income down by 6%
- Costs (core earnings) down by 7%
- Impairment charges down by 46% from 11bps to 6bps

Bank loans up by 5.8% in 9M 2015 – deposits down by DKK 4.3m in Q3



- Bank loans have risen for seven consecutive quarters. The rise in Q3 2015 represents DKK 1.0bn, equal to 1.4%
- Rise in mortgage loans accounts for DKK 1.3bn in Q3 2015
- Decline in deposits represents DKK 4.3bn in Q3 2015.



Capital ratios have improved in Q3 2015 due to income and a decline in risk exposures

DKKm	Q4 2014	Q1 2015	Q2 2015	Q3 2015
Credit risk	49,417	49,111	47,268	46,189
Market risk	8,003	5,713	7,455	7,961
Operational risk	8,575	8,575	8,575	8,575
Other exposures incl. CVA	6,472	6,898	6,195	6,172
Risk-weighted assets	72,467	70,297	69,493	68,897
CET1	10,101	10,246	9,805	9,954
Tier 1	11,209	11,219	10,777	10,926
Total capital	11,596	12,399	11,946	12,095
CET1 ratio	13.9	14.6	14.1	14.4
Tier 1 ratio	15.5	16.0	15.5	15.9
Capital ratio	16.0	17.6	17.2	17.6
Individual solvency need	10.4	10.3	10.3	10.3

Key points Q3 2015:

- CET1 up by 0.3 percentage points in Q3 of which 0.2 percentage points due to income.

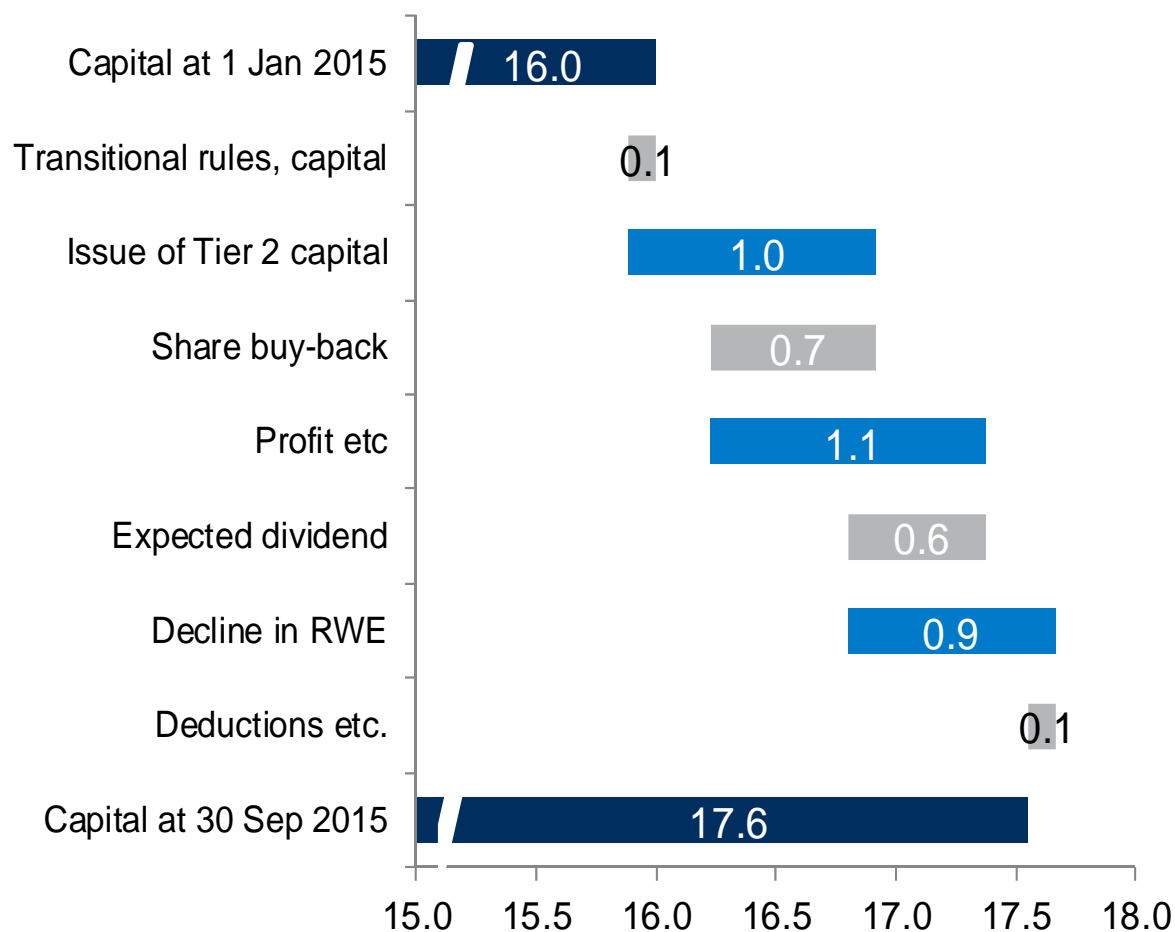
Key points Q2 2015:

- CET1 ratio down by 0.5 percentage points in Q2. Of which 0.7 percentage points as a result of the share buy-back program.

Key points Q1 2015:

- Strengthening of capital with the issue of Tier 2 capital worth EUR 100m

Capital ratio development in 9M 2015



Key points:

- The share buy-back programme of DKK 500m has reduced the capital ratio by 0.7 percentage points
- The issue of EUR 100m worth of Tier 2 capital has increased the capital ratio by 1 percentage point
- The fall in risk exposure is attributable to credit risk.

Outlook for 2015

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

Sydbank's strategy 2016 - 2018

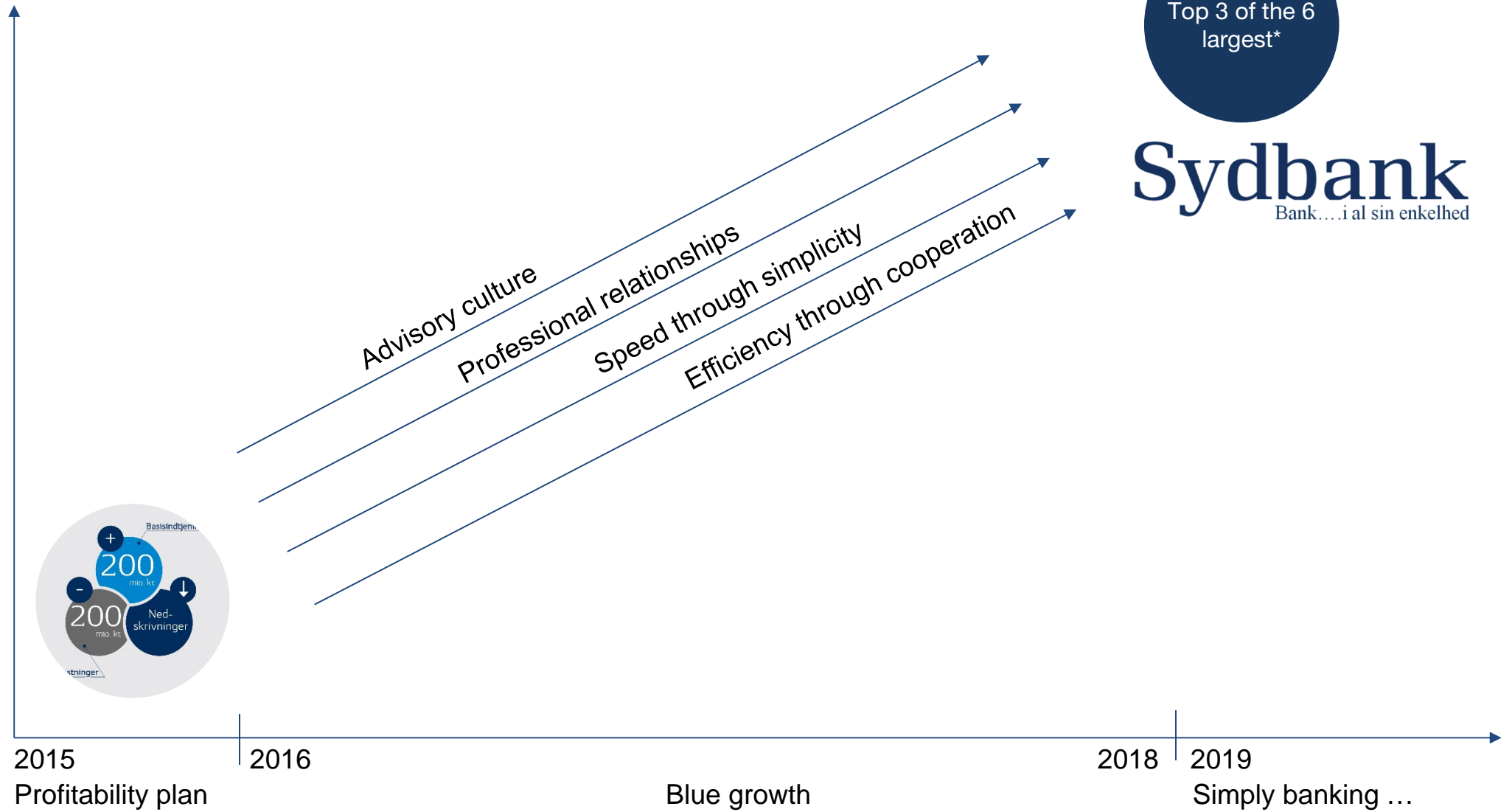
Blue growth

- Simply banking ...

What is Blue growth?

- 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 the customers. Again this year Sydbank has the highest customer satisfaction among the major banks
- Growth because we will grow through long-term, close relationships and we see acquisitions as an opportunity but not as a necessity
- Ambitious because with Blue growth Sydbank must rank in the top 3 of the 6 largest 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

Sydbank's strategic map



* In terms of customer satisfaction and return on shareholders' equity among Danske Bank, Nordea Danmark, Nykredit, Jyske Bank, Sydbank and Spar Nord Bank

Blue growth – financial targets



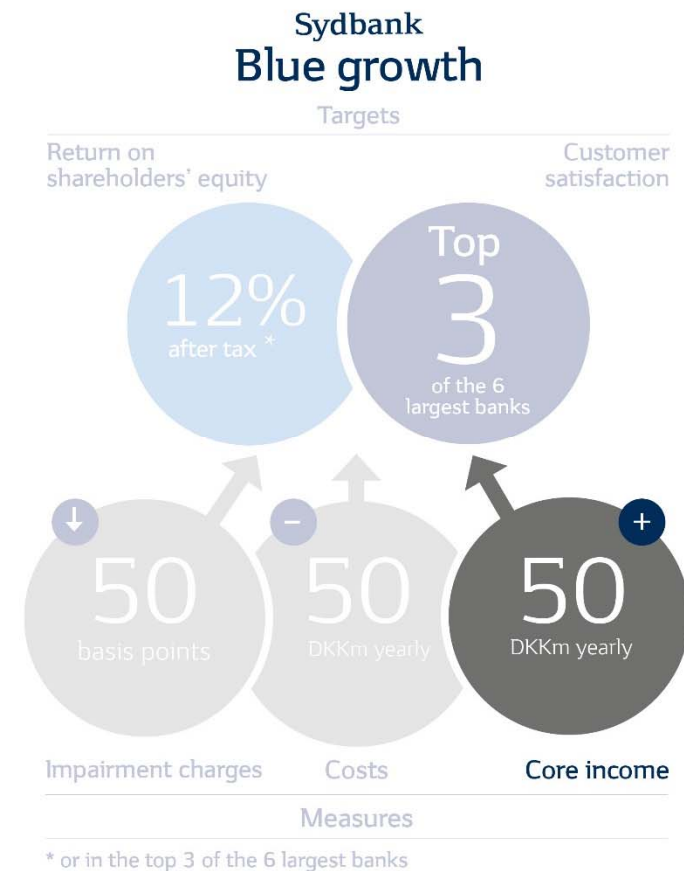
Blue growth – increase in core income

Targets

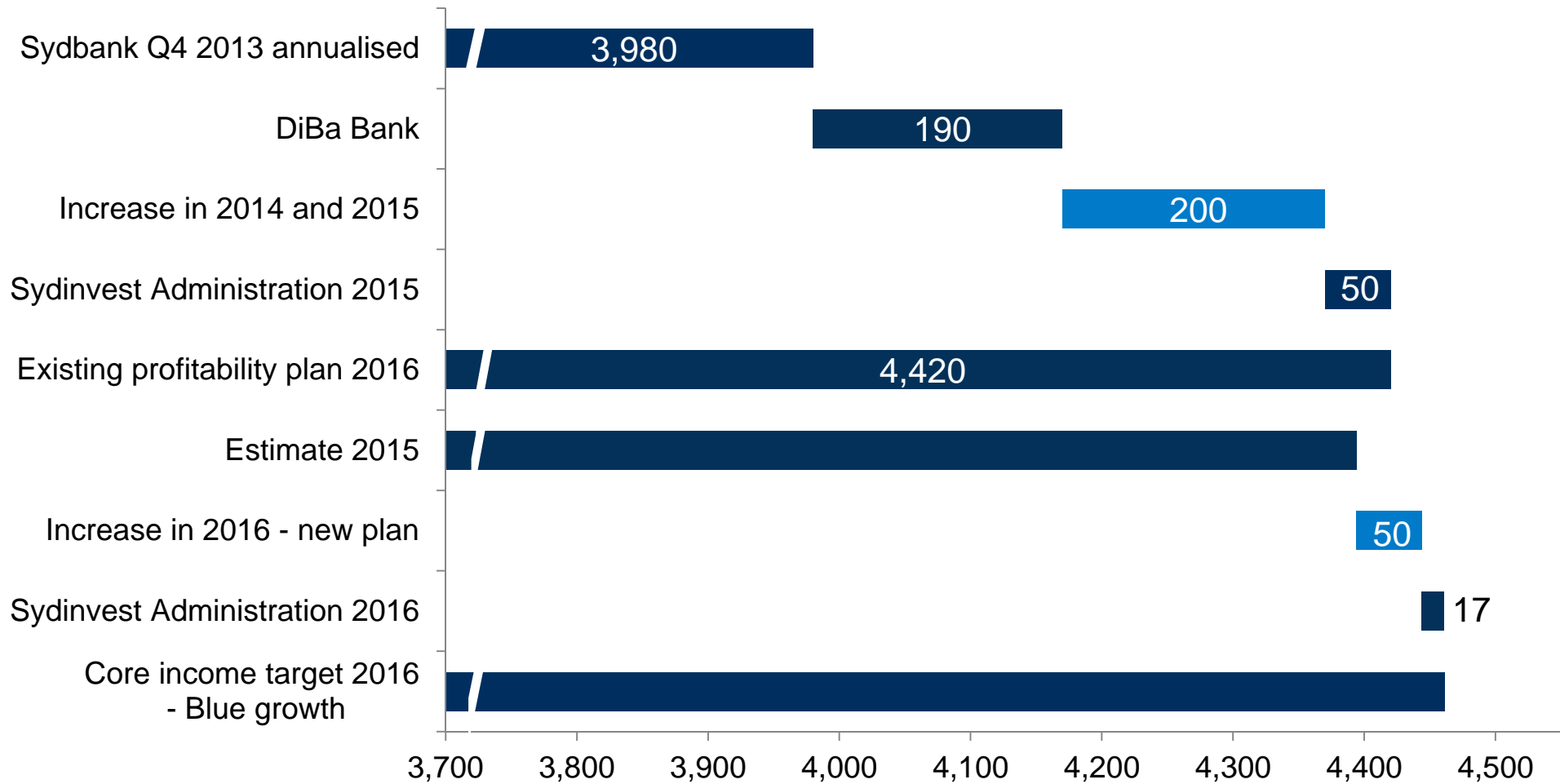
- Increase core income by a minimum of DKK 50m each year
- Maintain ranking in top 3 of the 6 largest banks in terms of customer satisfaction

Measures

- Corporate: skills upgrade and new campaign for corporate clients
- Private Banking: close cooperation with and derived from the Bank's strength as regards the corporate segment
- Retail: development of the potential of Sydbank Favorit through additional sales
- Fair, differentiated and transparent pricing
- More targeted sales efforts in terms of segmenting



Increase in core income



Blue growth – reduction of costs

Target

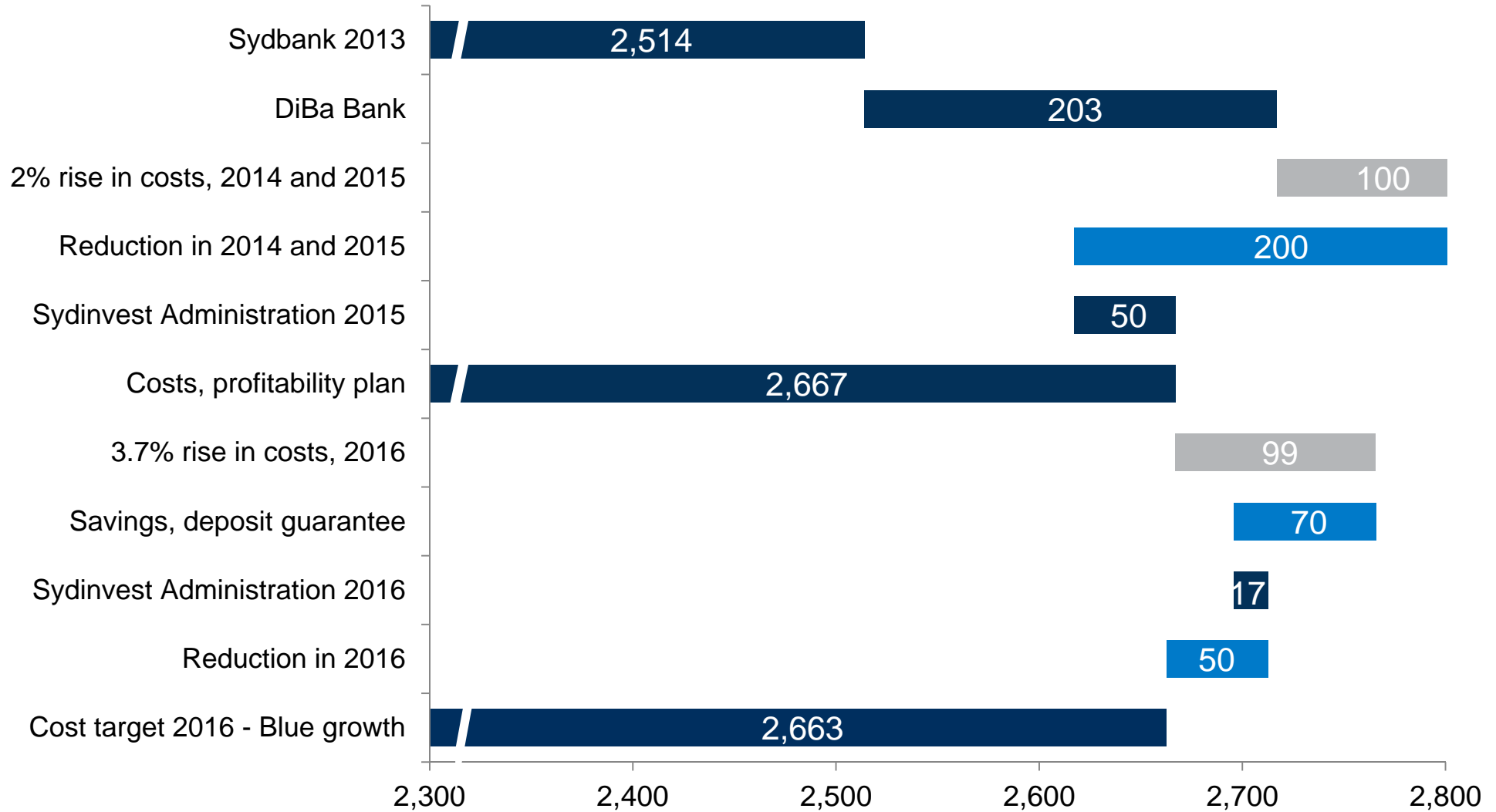
- Reduce costs by DKK 50m annually – in 2015 prices

Measures

- Simple and efficient organisation – fewer employees and fewer branches
- Optimised and simplified digital solutions with customers at the centre
- IT support of internal processes



Reduction of costs



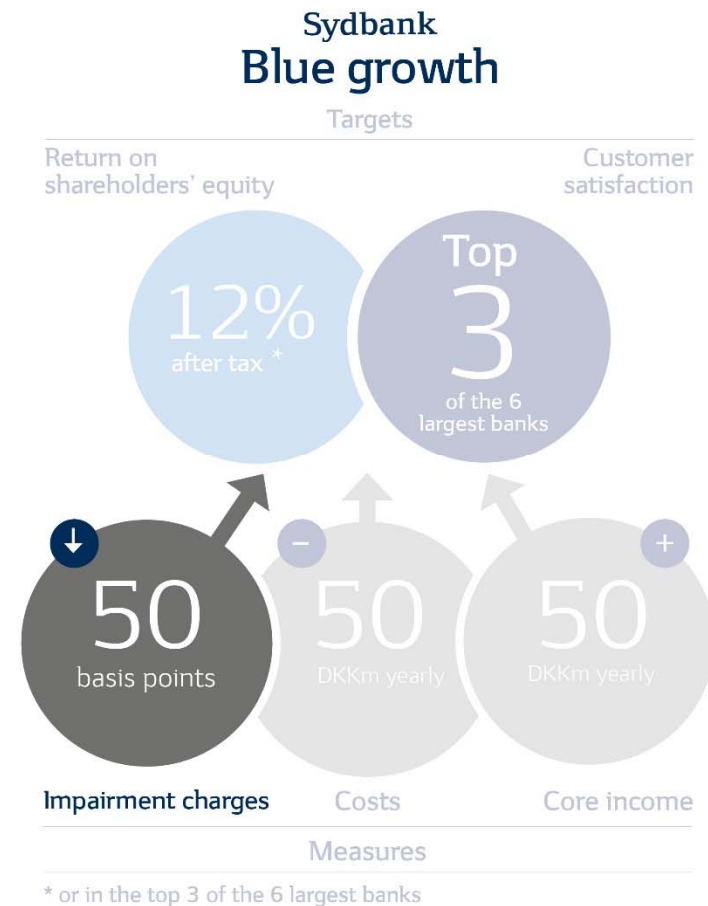
Blue growth – reduction of impairment charges

Target

- Transparent impairment charges of a maximum of 50 basis points during one economic cycle

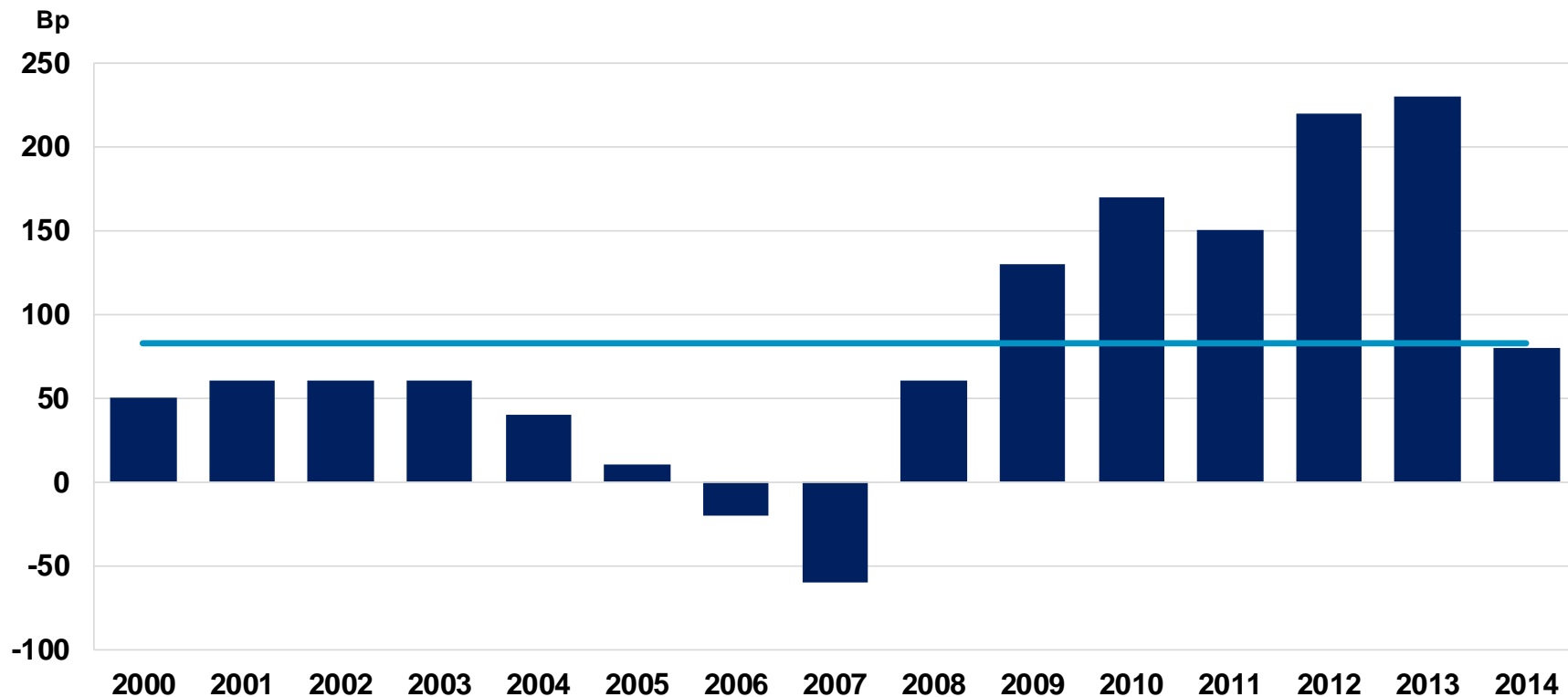
Measures

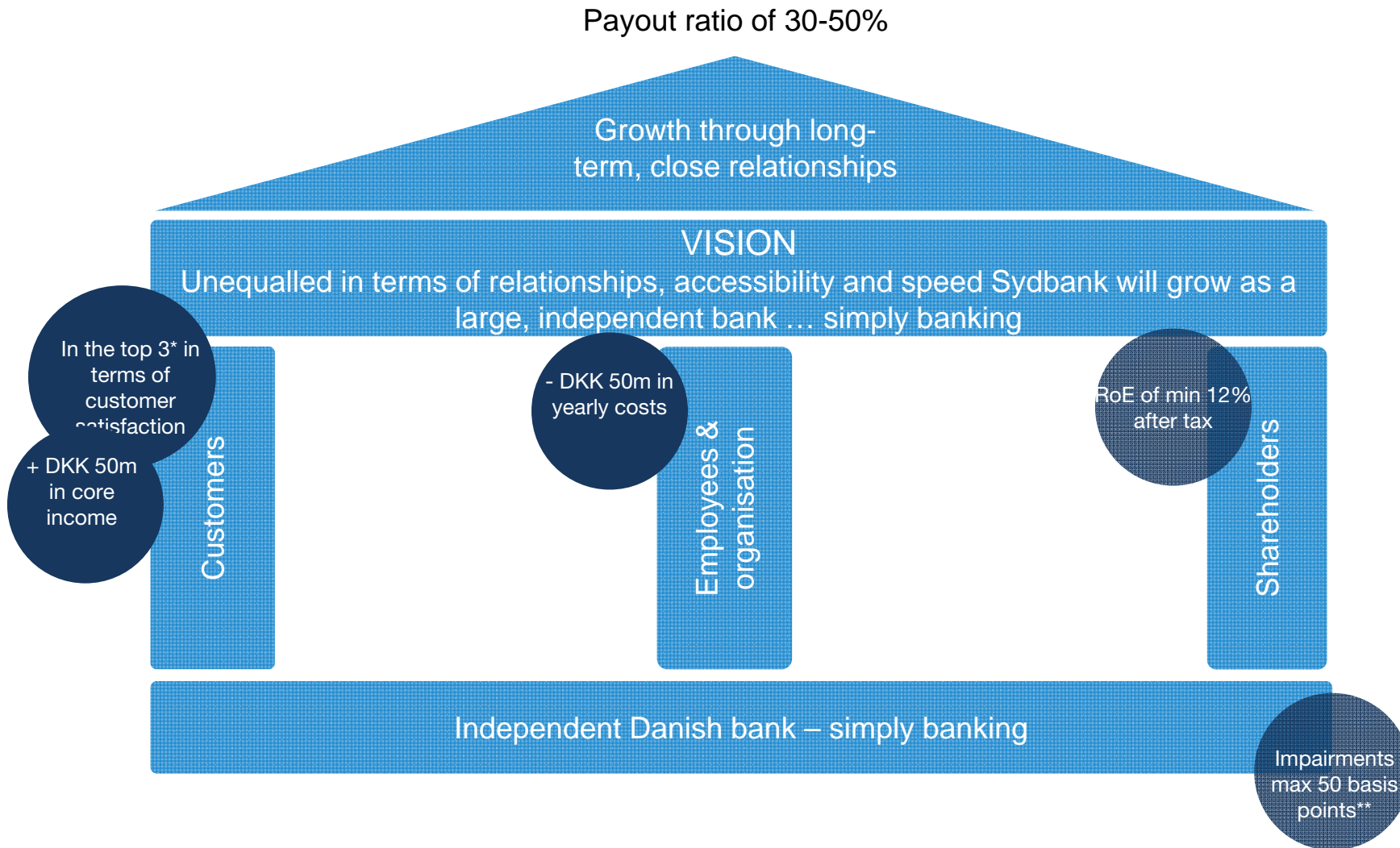
- Further automation of credit processing to minimise errors
- Maintain good credit quality through conservative risk profile
- Better data quality through management at different stages
- Further professionalisation of credit management



Good credit quality

- During the 15-year period from 2000 to 2014 – one economic cycle – impairment charges have constituted 83 basis points on average.
- Our goal of 50 basis points during the next economic cycle – from 2015 to 2029 – is a SIGNIFICANT reduction, equivalent to 40%.





*Top 3 of the 6 largest banks: Danske Bank, Nordea Bank Danmark, Jyske Bank, Nykredit Bank, Sydbank and Spar Nord Bank

** Impairment charges of max 50 basis points during one economic cycle

Assumptions for Blue growth

- Moderate economic growth throughout the period
- Market rates at the zero percent level
- Moderate growth in lending

Questions

Thank you

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Forward-looking statements

- This presentation contains statements concerning expectations of future developments, including future income as well as expected business events.

Such statements are by their nature uncertain and associated with risks as many factors – of which some may be beyond Sydbank's control – may cause the actual developments to deviate materially from management's expectations as expressed in this presentation.