
Interim Report – First Half 2015

Sydbank Group

Sydbank

Sydbank's Interim Report – First Half 2015

Sydbank reports historically high core income and growth in lending for sixth consecutive quarter

CEO Karen Frøsig comments on the interim financial statements:

- We have delivered a solid performance in 1H and we are very pleased. Core income represented DKK 2,227m in 1H, which is an increase of 5% compared to 1H 2014. This is a historically high level for Sydbank and, coupled with a growth in loans and advances of 4.3% for the half year, it shows that Sydbank is maintaining a high level of activity with significant customer focus.
- It is pleasing that we now project significantly lower impairment charges for the year.

Chairman of Sydbank's Board of Directors Torben Nielsen, former Central Bank Governor, says:

- Earlier this year we initiated a share buy-back programme and it is progressing as planned. At the end of Q2 our purchases totalled DKK 209m of a total share buy-back of DKK 500m, which is satisfactory.

1H – highlights

- Profit of DKK 530m. This is equal to a return on shareholders' equity of 9.4%.
- Core income of DKK 2,227m. This is an increase of 5% compared with 1H 2014. A historically high income.
- Total income of DKK 2,379m. This is an increase of 4% compared with 1H 2014.
- Impairment charges for loans and advances represent DKK 217m and have declined by 50% compared with 1H 2014.
- Bank loans and advances have risen by DKK 2.9bn, equal to 4.3%, in 1H 2015.
- The Common Equity Tier 1 capital ratio has climbed by 0.2 percentage points in 1H 2015 and constitutes 14.1%.
- 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:

- A slight rise in core income due in part to an increase in bank loans and advances resulting from the measures implemented and despite continued fierce competition and the negative interest rate environment.
- Increasing 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

	1H 2015	1H 2014	Index 15/14	Q2 2015	Q2 2014	Full year 2014
Income statement (DKK m)						
Core income	2,227	2,131	105	1,112	1,076	4,319
Trading income	152	152	100	34	66	196
Total income	2,379	2,283	104	1,146	1,142	4,515
Costs, core earnings	1,374	1,365	101	685	661	2,619
Core earnings before impairment	1,005	918	109	461	481	1,896
Impairment of loans and advances etc	217	430	50	101	111	707
Core earnings	788	488	161	360	370	1,189
Investment portfolio earnings	(95)	37	(257)	(64)	(47)	76
Profit before non-recurring items	693	525	132	296	323	1,265
Non-recurring items, net	-	107	-	-	(22)	64
Profit before tax	693	632	110	296	301	1,329
Tax	163	118	138	70	73	277
Profit for the period	530	514	103	226	228	1,052

Balance sheet highlights (DKK bn)

Loans and advances at amortised cost	71.4	67.7	105	71.4	67.7	68.5
Loans and advances at fair value	9.7	5.7	170	9.7	5.7	6.9
Deposits and other debt	81.2	74.0	110	81.2	74.0	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	11.1	10.7	104	11.1	10.7	11.3
Total assets	153.1	147.4	104	153.1	147.4	152.3

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

EPS Basic **	7.2	7.0		3.1	3.1	14.3
EPS Diluted **	7.2	7.0		3.1	3.1	14.3
Share price at end of period	255.8	143.7		255.8	143.7	190.2
Book value	153.1	146.7		153.1	146.7	154.2
Share price/book value	1.67	0.98		1.67	0.98	1.23
Average number of shares outstanding (in millions)	73.2	73.3		73.0	73.3	73.3
Dividend per share	-	-		-	-	7.08

Other financial ratios and key figures

Common Equity Tier 1 capital ratio	14.1	14.1		14.1	14.1	13.9
Tier 1 capital ratio	15.5	15.7		15.5	15.7	15.5
Capital ratio	17.2	16.2		17.2	16.2	16.0
Pre-tax profit as % of average shareholders' equity **	6.2	6.0		2.6	2.8	12.3
Post-tax profit as % of average shareholders' equity **	4.7	4.9		2.0	2.1	9.8
Costs (core earnings) as % of total income	57.8	59.8		59.8	57.9	58.0
Return on assets (%)	0.3	0.3		0.1	0.2	0.7
Interest rate risk	2.2	0.5		2.2	0.5	0.0
Foreign exchange position	3.0	4.4		3.0	4.4	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 *	6.4	6.3		6.4	6.3	6.1
Growth in loans and advances for the period *	4.3	1.6		1.1	0.7	2.8
Excess cover relative to statutory liquidity requirements	185.1	188.4		185.1	188.4	142.2
Total large exposures	10.2	36.3		10.2	36.3	0.0
Accumulated impairment ratio	4.9	5.7		4.9	5.7	5.1
Impairment ratio for the period **	0.24	0.54		0.11	0.14	0.80
Number of full-time staff at end of period	2,164	2,187	99	2,164	2,187	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 1H show a profit before tax of DKK 693m compared with DKK 632m in 1H 2014. The improvement is due to rising core income as well as lower impairment charges.

Profit before tax equals a return of 12.4% p.a. on average shareholders' equity. The result is in line with the expectations presented in the 2014 financial statements.

Core income represents DKK 2,227m compared with DKK 2,131m in 2014 – income for the half year is historically high.

Total income amounts to DKK 2,379m against DKK 2,283m in 2014.

Core earnings constitute DKK 788m compared with DKK 488m in 2014 – the best 6-month result since 1H 2008.

Profit for the period amounts to DKK 530m compared with DKK 514m 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 including DiBa
- a reduction in costs (core earnings) of DKK 200m relative to the level in 2013 including DiBa
- falling impairment charges for loans and advances.

1H performance

The fall in market rates caused by the upward pressure on DKK in 1H 2015 combined with the monetary policy pursued in Europe 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.

Consequently the trend towards rising core income throughout 2014 has continued. Compared with 1H 2014 core income has climbed by DKK 96m or 5% to DKK 2,227m following a rise in income from mortgage credit, loan fees, commission and asset management.

Trading income is unchanged at DKK 152m compared with one year ago.

Total income represents DKK 2,379m, an increase of 4% compared with 1H 2014.

Costs (core earnings) are a constant area of focus at Sydbank. In 1H the Bank maintained tight control of costs (core earnings). In Q2 2015 the costs of the newly acquired entity, Sydinvest Administration, represent DKK 17m, which has generated a rise in costs compared with the costs for the first six months of 2014.

The Group's impairment charges for loans and advances have declined by DKK 213m to DKK 217m compared with 1H 2014.

Core earnings have increased by DKK 300m to DKK 788m compared with DKK 488m in 1H 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 95m in 1H 2015 compared with DKK 37m a year ago.

Profit before tax rose to DKK 693m in 1H 2015 compared with DKK 632m in the same period in 2014. The rise has been realised despite the recognition of non-recurring items which constituted an income of DKK 107m in 1H 2014.

Tax represents DKK 163m. Profit for the period amounts to DKK 530m compared with DKK 514m in 2014.

During the first six months Sydbank recorded an increase in bank loans and advances of DKK 2.9bn compared with the level at the turn of the year. 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-June 822,300 shares worth DKK 209m 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.

Outlook for 2015

Limited positive economic growth is projected in 2015.

Core income is expected to rise slightly due in part to an increase in bank loans and advances resulting from the measures implemented and despite

continued fierce competition and the negative interest rate environment.

Trading income is projected to increase 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 1H 2015

The Sydbank Group has recorded a profit before tax of DKK 693m (1H 2014: DKK 632m). The performance meets the expectations at the beginning of the year. Profit before tax equals a return of 12.4% p.a. on average shareholders' equity.

Profit for the period amounts to DKK 530m compared with DKK 514m in 2014.

The result is characterised by:

1H

- A 5% rise in core income despite a decline in net interest etc of 4%
- Unchanged trading income of DKK 152m
- Rising costs (core earnings) as a result of the acquisition of Sydinvest Administration
- A 50% decline in impairment charges for loans and advances
- A rise in core earnings of DKK 300m to DKK 788m
- Negative investment portfolio earnings of DKK 95m
- Bank loans and advances of DKK 71.4bn (year-end 2014: DKK 68.5bn)
- Bank deposits of DKK 81.2bn (year-end 2014: DKK 73.9bn)
- A capital ratio of 17.2%, including a Common Equity Tier 1 capital ratio of 14.1%
- An individual solvency need of 10.3% (year-end 2014: 10.4%).

Q2

- A rise in net interest etc as a result of an additional interest rate day as well as the effect of implemented measures
- Core income held at the high level of Q1 2015
- Impairment charges for loans and advances of DKK 101m – the lowest level since Q3 2008.

Income statement – 1H (DKKm)	2015	2014
Core income	2,227	2,131
Trading income	152	152
Total income	2,379	2,283
Costs, core earnings	1,374	1,365
Core earnings before impairment	1,005	918
Impairment of loans and advances etc	217	430
Core earnings	788	488
Investment portfolio earnings	(95)	37
Profit before non-recurring items	693	525
Non-recurring items, net	-	107
Profit before tax	693	632

Tax	163	118
Profit for the period	530	514

Core income

Total core income has increased by DKK 96m to DKK 2,227m.

Net interest has decreased by DKK 45m to DKK 1,204m predominantly due to the decline in market rates.

Net income from the cooperation with Totalkredit represents DKK 153m (2014: DKK 122m) after a set-off of loss of DKK 15m (2014: DKK 15m). The cooperation with DLR Kredit has generated an income of DKK 49m (2014: DKK 43m). Compared with 2014 total mortgage credit income has climbed by DKK 32m to DKK 204m – an increase of 19%.

Income from remortgaging and loan fees has gone up by DKK 51m to DKK 99m compared with 2014 – an increase of 106%. This is due in part to a sharp rise in remortgaging activity.

Commission and brokerage income has increased by DKK 57m to DKK 228m compared with 2014 – a rise of 33%.

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

Core income – 1H (DKKm)	2015	2014
Net interest etc	1,204	1,249
Mortgage credit	204	172
Payment services	102	108
Remortgaging and loan fees	99	48
Commission and brokerage	228	171
Commission etc investment funds and pooled pension plans	181	167
Asset management	92	87
Custody account fees	39	42
Other income	78	87
Total	2,227	2,131

Trading income

Trading income is unchanged at DKK 152m compared with 2014. High activity as regards trading in mortgage bonds, shares as well as currency characterised the beginning of 2015. The activity in Q2 2015 was at a more normal level.

In Q2 2015 income in Fixed Income was adversely affected by capital losses on mortgage bonds in the trading portfolio due to the turbulence in the fixed income market.

Costs and depreciation

The Group's costs and depreciation totalled DKK 1,377m, equal to a decrease of DKK 30m compared with 2014.

Costs and depreciation – 1H (DKKm)	2015	2014
Staff costs	790	788
Other administrative expenses	479	509
Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	48	49
Other operating expenses	60	61
Total costs and depreciation	1,377	1,407
Distributed as follows:		
Costs, core earnings	1,374	1,365
Costs, investment portfolio earnings	3	4
Costs, non-recurring items	-	37

Costs (core earnings) represent DKK 1,374m compared with DKK 1,365m in 2014.

At the end of 1H 2015 the Group's staff numbered 2,164 (full-time equivalent), including 28 employees taken over in connection with the acquisition of Sydinvest Administration – compared with 2,187 at 30 June 2014.

As a consequence of the Bank's ongoing adjustment of its service concept and its efforts to reduce costs (core earnings), three branches were closed during the first six months. This brings the number of branches to 79 in Denmark and three in Germany.

Core earnings before impairment

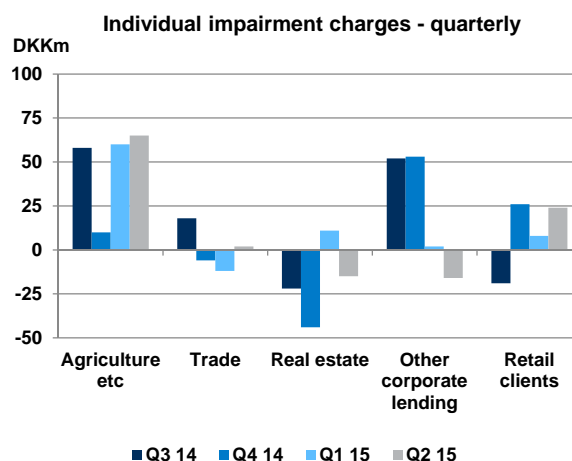
Core earnings before impairment charges for loans and advances represent DKK 1,005m – an increase of DKK 87m compared with the same period in 2014.

Impairment of loans and advances etc

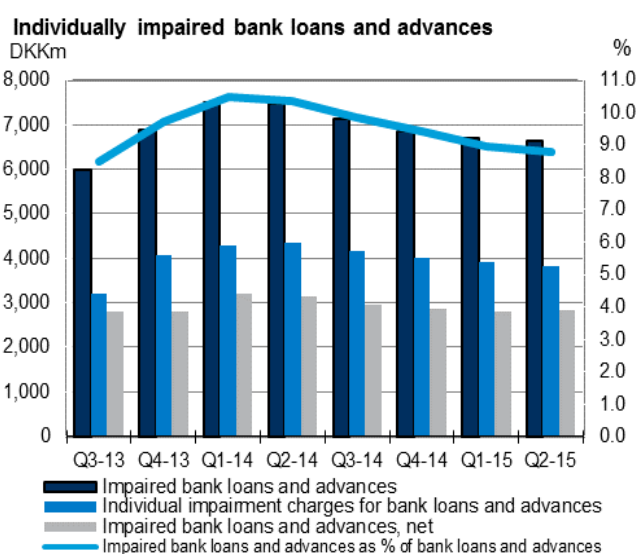
Impairment charges for loans and advances represent DKK 217m compared with DKK 430m during the same period in 2014. This is a reduction of DKK 213m or 50%.

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.

In 1H 2015 impairment charges for agriculture and collective impairment charges totalled DKK 213m, equal to 98% of impairment charges for the half year.



At 30 June 2015 the impairment ratio represents 0.29% relative to bank loans and advances and 0.24% relative to bank loans and advances and guarantees. At end-June 2015 accumulated impairment and provisions amount to DKK 4,307m. A decline of DKK 105m compared with the beginning of the year.



Compared with 30 June 2014 impaired bank loans and advances before impairment charges have decreased by DKK 853m to DKK 6,628m, equal to a decline of 11%.

DKK 558m of the decrease is attributable to non-defaulted bank loans and advances and DKK 295m is attributable to defaulted bank loans and advances. During the same period individually impaired bank loans and advances after impairment charges dropped by DKK 313m, equal to 10%. Impairment charges for individually impaired bank loans and advances represent 57.4% (end-June 2014: 58.1% and year-end 2014: 58.2%).

In 1H 2015 reported losses amount to DKK 446m (1H 2014: DKK 264m). Of the reported losses DKK 393m has previously been written down.

Individually impaired bank loans and advances (DKKm)	30 Jun 2015	31 Dec 2014	30 Jun 2014
Non-defaulted bank loans and advances	4,598	4,834	5,156
Defaulted bank loans and advances	2,030	2,030	2,325
Impaired bank loans and advances	6,628	6,864	7,481
Impairment charges for bank loans and advances subject to individual impairment	3,807	3,996	4,347
Impaired bank loans and advances after impairment charges	2,821	2,868	3,134
Impaired bank loans and advances as % of bank loans and advances before impairment charges	8.8	9.4	10.4
Impairment charges as % of bank loans and advances before impairment charges	5.0	5.5	6.0
Impairment as % of impaired bank loans and advances	57.4	58.2	58.1
Impairment charges as % of defaulted bank loans and advances	187.5	196.8	187.0

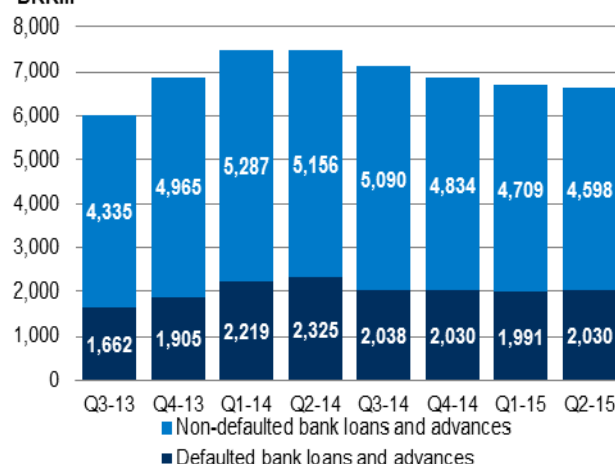
Impairment charges as a percentage of defaulted bank loans and advances at 30 June 2015 stand at 187.5.

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 June 2014 defaulted bank loans and advances have declined by DKK 295m to DKK 2,030m, equal to a reduction of 13%.

Since 30 June 2014 non-defaulted bank loans and advances have dropped by DKK 558m to DKK 4,598m, equal to a reduction of 11%.

Breakdown of impaired bank loans and advances
DKKm



Core earnings

Core earnings represent DKK 788m – an increase of DKK 300m or 61% compared with one year ago – the best 6-month result since 1H 2008.

Investment portfolio earnings

Together the Group's position-taking and liquidity handling recorded earnings of minus DKK 95m in 1H 2015 compared with DKK 37m a year ago.

Investment portfolio earnings – 1H (DKKm)	2015	2014
Position-taking	(138)	45
Liquidity generation and liquidity reserves	47	23
Strategic positions	0	(27)
Costs	(4)	(4)
Total	(95)	37

The negative investment portfolio earnings in 1H 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 the credit spread of 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 15m in 1H 2015 compared with DKK 32m in 1H 2014.

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

Profit for the period

Profit before tax amounts to DKK 693m (2014: DKK 632m). Tax represents DKK 163m, equal to an effective tax rate of 23.5%. Profit for the period amounts to DKK 530m compared with DKK 514m in 2014.

Return

Profit for the period equals a return on average shareholders' equity of 9.4% p.a. after tax against 9.8% p.a. in 1H 2014. Earnings per share stands at DKK 7.2 compared with DKK 7.0 in 2014.

Subsidiaries

The Group acquired Sydinvest Administration A/S for DKK 45m on 31 March 2015. The distribution of the purchase price is shown in note 28.

Ejendomsselskabet recorded a profit after tax of DKK 2m compared with DKK 2m in 1H 2014. Profit after tax in DiBa, Heering Huse and Sydinvest Administration represents DKK 1m (2014: minus DKK 3m), DKK 0m (2014: minus DKK 1m) and DKK 2m (2014: DKK 0m), respectively.

Q2 2015

Profit before tax for the quarter represents DKK 296m. Compared with Q1 2015 profit before tax reflects:

- A 2% increase in net interest etc predominantly due to an additional interest rate day in the quarter as well as the effect of implemented measures
- A decline in core income of DKK 3m
- A decrease in trading income of DKK 84m
- A decrease in costs (core earnings) of DKK 4m
- A decline in impairment charges for bank loans and advances of DKK 15m – an improvement from the low level in Q1
- A decline in core earnings of DKK 68m to DKK 360m

- Investment portfolio earnings of minus DKK 64m (Q1 2015: minus DKK 31m).

Total assets

The Group's total assets made up DKK 153.1bn at 30 June 2015 against DKK 152.3bn at year-end 2014.

Assets (DKKbn)	30 Jun 2015	31 Dec 2014
Amounts owed by credit institutions etc	16.9	10.2
Loans and advances at fair value (reverse transactions)	9.7	6.9
Bank loans and advances (at amortised cost)	71.4	68.5
Securities and holdings etc	28.1	37.9
Assets related to pooled plans	11.8	10.8
Other assets etc	15.2	18.0
Total	153.1	152.3

The Group's bank loans and advances make up DKK 71.4bn at end-June 2015 against DKK 68.5bn at year-end 2014 and DKK 67.7bn at end-June 2014.

Shareholders' equity and liabilities (DKKbn)	30 Jun 2015	31 Dec 2014
Amounts owed to credit institutions etc	25.7	32.1
Deposits and other debt	81.2	73.9
Deposits in pooled plans	11.8	10.8
Bonds issued	3.7	3.7
Other liabilities etc	17.5	19.1
Subordinated capital	2.1	1.4
Shareholders' equity	11.1	11.3
Total	153.1	152.3

The Group's deposits make up DKK 81.2bn against DKK 73.9bn at year-end 2014 and DKK 74.0bn at end-June 2014.

Capital

At 30 June 2015 shareholders' equity constitutes DKK 11,115m – a decline of DKK 196m since year-end 2014. The change comprises additions from profit for the period of DKK 530m less distribution of DKK 529m and net purchases of own shares of DKK 197m.

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-June 822,300 shares worth DKK 209m had been repurchased.

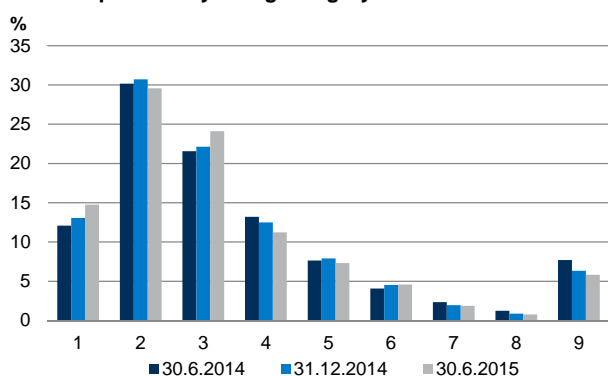
The share buy-back is part of the capital adjustment to optimise the capital structure in accordance with the capital targets and capital policy published in the 2014 Annual Report.

Risk-weighted assets (DKKbn)	30 Jun 2015	31 Dec 2014
Credit risk	47.3	49.4
Market risk	7.4	8.0
Operational risk	8.6	8.6
Other exposures incl credit valuation adjustment	6.2	6.5
Total	69.5	72.5

Risk-weighted assets represent DKK 69.5bn (year-end 2014: DKK 72.5bn). The change is mainly attributable to a decrease in credit risk of DKK 2.1bn.

The development in gross exposures by rating category at 30 June 2014, 31 December 2014 and 30 June 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 17.2%, of which the Tier 1 capital ratio represents 15.5% compared with 16.0% and 15.5%, respectively, at year-end 2014. The Common Equity Tier 1 capital ratio stands at 14.1% (31 Dec 2014: 13.9%). At 30 June 2015 the individual solvency need represents 10.3% against 10.4% at year-end 2014.

The parent's capital ratio stands at 16.7%, of which the Tier 1 capital ratio represents 15.1% compared with 16.0% and 15.4%, respectively, at year-end 2014. The Common Equity Tier 1 capital ratio stands at 13.8% (31 Dec 2014: 13.9%).

Market risk

At 30 June 2015 the Group's interest rate risk represents DKK 242m. The Group's exchange rate risk continues to be very low and its equity position modest.

Liquidity

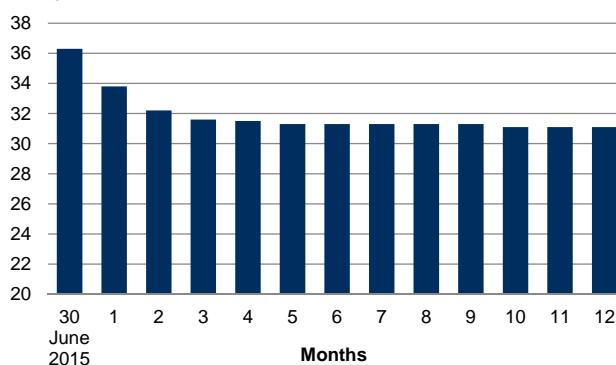
The Group's liquidity measured under the 10% statutory requirement constitutes 28.5% at 30 June 2015.

In compliance with Bank Package VI, Danish SIFIs must have a Liquidity Coverage Ratio (LCR) of 100% by 1 October.

At 30 June 2015 the Group met the LCR requirement according to the specifications of the Danish FSA.

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
DKKbn



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.

Supervisory Diamond (%)	30 Jun 2015	31 Dec 2014	30 Jun 2014
Sum of large exposures < 125%	10	0	36
Lending growth < 20% annually	4	3	2
Commercial property exposure < 25%	8	9	11
Funding ratio < 1	0.74	0.78	0.76
Excess cover relative to statutory liquidity requirements > 50%	185	142	188

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 by 31 December 2024 and represent assets of at least 1% of the amount of covered deposits of all Danish credit institutions. 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 210m to DKK 1,977m in 1H 2015, equal to an increase of 3.3% of loans and advances.

Of total loans and advances to agriculture an impairment charge of 19.8% has been recorded at 30 June 2015 against 17.5% at year-end 2014.

30 June 2015 (DKKm)	Pig farming	Cattle farming	Crop production	Other agriculture	Total loans and advances
Bank loans and advances before impairment charges	1,972	1,921	1,356	1,041	6,290
Individual impairment charges	348	640	53	79	1,120
Previous events	85	40			125
Bank loans and advances after impairment charges	1,539	1,241	1,303	962	5,045
Impaired bank loans and advances	688	1,024	112	153	1,977
Impaired as % of bank loans and advances	34.9	53.3	8.3	14.7	31.4
Impairment as % of impaired bank loans and advances	50.6	62.5	47.3	51.6	56.7
Impairment as % of bank loans and advances	22.0	35.4	3.9	7.6	19.8

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 and China's sudden withdrawal from the global dairy market are now painfully apparent.

At the beginning of 2015 the Bank's projection was 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 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 March 2015 SEGES published an updated report, "Prognose for svinenotering og svineproducenternes indkomst i 2015" (in Danish only). The report's forecast of the average quotation for pork in 2015 was revised upwards from previously DKK 9.00 per kg to DKK 9.35 per kg.

For the average pig producer this would mean that the projected deficit for 2015 would be halved. The forecasts by SEGES generally form the basis for forecasting agricultural clients' operating results and cash flow results for 2015.

During the first six months of 2015 the average quotation constituted approx DKK 9.25 per kg and the current quotation for pork is DKK 9.00 per kg.

Consequently pig producers' earnings remain unsatisfactory and the settlement price must improve during the remainder of the year if the expected improvement in earnings is to be achieved.

The forecast for milk producers based on an expected average settlement price of DKK 2.34 per kg milk showed an anticipated loss for an average milk producer of DKK 261,000.

In 1H 2015 the average settlement price constituted DKK 2.24 per kg and with a current settlement price of DKK 2.13 per kg the break-even point for milk producers is a good way off.

To an average milk producer with 200 cows, DKK 0.10 per kg milk means a difference in the bottom line of approx DKK 200,000.

At present there are prospects of unsatisfactory and loss-making operations in the largest farming industries. However it should be pointed out that the best third of producers continue to break even.

In 1H 2015 an impairment charge of DKK 125m was recorded on agricultural exposures. The collective impairment charge recorded in 2014 of DKK 125m has been maintained and may consequently be used to cover any further impairment as regards agricultural exposures later on.

Income Statement

DKKkm	Note	Sydbank Group		Sydbank A/S	
		1H 2015	1H 2014	1H 2015	1H 2014
Interest income	2	1,456	1,662	1,457	1,664
Interest expense	3	182	319	183	316
Net interest income		1,274	1,343	1,274	1,348
Dividends on shares		58	39	58	39
Fee and commission income	4	975	851	956	851
Fee and commission expense		124	118	124	118
Net interest and fee income		2,183	2,115	2,164	2,120
Market value adjustments	5	84	343	84	343
Other operating income		16	15	16	15
Staff costs and administrative expenses	6	1,269	1,297	1,255	1,301
Depreciation and impairment of property, plant and equipment		48	49	46	48
Other operating expenses	8	60	61	60	61
Impairment of loans and advances etc	9	217	442	217	442
Profit on holdings in associates and subsidiaries	10	4	8	7	6
Profit before tax		693	632	693	632
Tax	11	163	118	163	118
Profit for the period		530	514	530	514
EPS Basic (DKK) *		7.2	7.0	7.2	7.0
EPS Diluted (DKK) *		7.2	7.0	7.2	7.0
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	530	514	530	514
Other comprehensive income				
Items that may be reclassified to the income statement:				
Translation of foreign entities	35	2	35	2
Hedge of net investment in foreign entities	(35)	(2)	(35)	(2)
Property revaluation	-	-	-	-
Other comprehensive income after tax	0	0	0	0
Comprehensive income for the period	530	514	530	514

Balance Sheet

DKKkm	Note	Sydbank Group		Sydbank A/S	
		30 Jun 2015	31 Dec 2014	30 Jun 2015	31 Dec 2014
Assets					
Cash and balances on demand at central banks		8,391	629	8,391	629
Amounts owed by credit institutions and central banks	12	8,472	9,594	8,465	9,575
Loans and advances at fair value		9,733	6,891	9,733	6,891
Loans and advances at amortised cost		71,414	68,451	71,577	68,621
Bonds at fair value		26,308	36,132	26,277	36,132
Shares etc		1,668	1,593	1,667	1,593
Holdings in associates etc		163	168	163	168
Holdings in subsidiaries etc		-	-	2,325	646
Assets related to pooled plans		11,814	10,790	11,814	10,790
Intangible assets		334	334	330	334
Total land and buildings		1,069	1,071	886	887
investment property		1	2	1	2
owner-occupied property		1,068	1,069	885	885
Other property, plant and equipment		61	73	60	73
Current tax assets		242	47	242	48
Deferred tax assets		97	97	17	17
Assets in temporary possession		10	15	5	8
Other assets	13	13,216	16,376	13,195	16,372
Prepayments		67	55	62	55
Total assets		153,059	152,316	155,209	152,839
Shareholders' equity and liabilities					
Amounts owed to credit institutions and central banks	14	25,622	32,051	25,875	32,268
Deposits and other debt	15	81,198	73,922	83,106	74,224
Deposits in pooled plans		11,825	10,796	11,824	10,796
Bonds issued at amortised cost		3,724	3,741	3,724	3,741
Current tax liabilities		-	-	-	-
Other liabilities	16	17,177	18,840	17,163	18,839
Deferred income		15	4	15	4
Total liabilities		139,561	139,354	141,707	139,872
Provisions	17	255	266	259	271
Subordinated capital	18	2,128	1,385	2,128	1,385
Shareholders' equity:					
Share capital		742	742	742	742
Revaluation reserves		90	90	90	90
Other reserves:					
Reserves according to articles of association		425	425	425	425
Other reserves		10	10	10	10
Retained earnings		9,848	9,508	9,848	9,508
Proposed dividend etc		-	536	-	536
Total shareholders' equity		11,115	11,311	11,115	11,311
Total shareholders' equity and liabilities		153,059	152,316	155,209	152,839

Financial Highlights – Quarterly

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

Balance sheet highlights (DKKbn)

Loans and advances at amortised cost	71.4	70.6	68.5	68.0	67.7	67.2
Loans and advances at fair value	9.7	8.0	6.9	5.1	5.7	6.1
Deposits and other debt	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
Subordinated capital	2.1	2.1	1.4	1.4	1.4	1.5
Shareholders' equity	11.1	11.1	11.3	11.1	10.7	10.5
Total assets	153.1	155.7	152.3	148.2	147.4	143.4

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

EPS Basic **	3.1	4.1	3.0	4.3	3.1	3.9
EPS Diluted **	3.1	4.1	3.0	4.3	3.1	3.9
Share price at end of period	255.8	218.1	190.2	179.6	143.7	138.7
Book value	153.1	151.2	154.2	151.0	146.7	143.5
Share price/book value	1.67	1.44	1.23	1.19	0.98	0.97
Average number of shares outstanding (in millions)	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	14.1	14.6	13.9	14.8	14.1	13.8
Tier 1 capital ratio	15.5	16.0	15.5	16.4	15.7	15.3
Capital ratio	17.2	17.6	16.0	17.0	16.2	15.8
Pre-tax profit as % of average shareholders' equity **	2.6	3.5	2.5	3.8	2.8	3.2
Post-tax profit as % of average shareholders' equity **	2.0	2.7	2.0	2.9	2.1	2.7
Costs (core earnings) as % of total income	59.8	55.9	58.3	54.1	57.9	61.7
Return on assets (%)	0.1	0.2	0.1	0.2	0.2	0.2
Interest rate risk	2.2	0.3	0.0	0.5	0.5	0.6
Foreign exchange position	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	0.2
Loans and advances relative to deposits *	0.8	0.8	0.8	0.8	0.8	0.8
Loans and advances relative to shareholders' equity *	6.4	6.4	6.1	6.1	6.3	6.4
Growth in loans and advances for the period *	1.1	3.2	0.7	0.5	0.7	0.9
Excess cover relative to statutory liquidity requirements	185.1	141.1	142.2	177.3	188.4	182.9
Total large exposures	10.2	10.1	0.0	37.9	36.3	35.5
Accumulated impairment ratio	4.9	4.9	5.1	5.4	5.7	5.6
Impairment ratio for the period **	0.11	0.13	0.17	0.16	0.14	0.40
Number of full-time staff at end of period	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 – Half-yearly

	1H 2015	1H 2014	1H 2013	1H 2012	1H 2011
Income statement (DKK m)					
Core income	2,227	2,131	2,052	2,141	1,988
Trading income	152	152	161	168	134
Total income	2,379	2,283	2,213	2,309	2,122
Costs, core earnings	1,374	1,365	1,310	1,302	1,303
Core earnings before impairment	1,005	918	903	1,007	819
Impairment of loans and advances etc	217	430	674	975	490
Core earnings	788	488	229	32	329
Investment portfolio earnings	(95)	37	284	126	13
Profit before non-recurring items	693	525	513	158	342
Non-recurring items, net	-	107	(11)	(5)	(161)
Profit before tax	693	632	502	153	181
Tax	163	118	118	38	45
Profit for the period	530	514	384	115	136

Balance sheet highlights (DKK bn)

Loans and advances at amortised cost	71.4	67.7	67.8	66.7	71.9
Loans and advances at fair value	9.7	5.7	4.5	5.9	12.0
Deposits and other debt	81.2	74.0	65.9	65.4	67.4
Bonds issued at amortised cost	3.7	3.7	3.8	8.8	7.5
Subordinated capital	2.1	1.4	1.4	1.4	2.3
Shareholders' equity	11.1	10.7	10.5	9.7	9.5
Total assets	153.1	147.4	141.4	158.3	145.7

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

EPS Basic **	7.2	7.0	5.2	1.6	1.9
EPS Diluted **	7.2	7.0	5.2	1.6	1.9
Share price at end of period	255.8	143.7	114.0	95.0	114.8
Book value	153.1	146.7	142.6	132.6	128.6
Share price/book value	1.67	0.98	0.80	0.72	0.89
Average number of shares outstanding (in millions)	73.2	73.3	73.2	73.2	73.5
Dividend per share	-	-	-	-	-

Other financial ratios and key figures

Common Equity Tier 1 capital ratio	14.1	14.1	14.4	13.0	12.5
Tier 1 capital ratio	15.5	15.7	16.2	14.6	14.1
Capital ratio	17.2	16.2	16.5	14.6	15.1
Pre-tax profit as % of average shareholders' equity **	6.2	6.0	4.9	1.6	1.9
Post-tax profit as % of average shareholders' equity **	4.7	4.9	3.7	1.2	1.4
Costs (core earnings) as % of total income	57.8	59.8	59.2	56.4	61.4
Return on assets (%)	0.3	0.3	0.3	0.1	0.1
Interest rate risk	2.2	0.5	0.2	0.3	0.9
Foreign exchange position	3.0	4.4	2.3	4.2	2.7
Foreign exchange risk	0.0	0.0	0.1	0.1	0.0
Loans and advances relative to deposits *	0.8	0.8	0.9	0.9	1.0
Loans and advances relative to shareholders' equity *	6.4	6.3	6.5	6.9	7.5
Growth in loans and advances for the period *	4.3	1.6	(0.6)	(3.1)	(1.5)
Excess cover relative to statutory liquidity requirements	185.1	188.4	167.4	151.8	99.5
Total large exposures	10.2	36.3	30.5	42.8	34.6
Accumulated impairment ratio	4.9	5.7	4.2	3.4	2.1
Impairment ratio for the period **	0.24	0.54	0.85	1.24	0.60
Number of full-time staff at end of period	2,164	2,187	2,087	2,128	2,274

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

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

Capital

DKKkm	Share capital	Re-valuation reserves	Reserves acc to articles of association*	Reserve for net revaluation acc to equity method	Retained earnings	Proposed dividend etc	Total
Shareholders' equity at 1 Jan 2015	742	90	425	10	9,508	536	11,311
Profit for the period	-	-	-	-	530	-	530
Other comprehensive income							
Translation of foreign entities	-	-	-	-	35	-	35
Hedge of net investment in foreign entities	-	-	-	-	(35)	-	(35)
Total other comprehensive income	-	-	-	-	-	-	-
Comprehensive income for the period	-	-	-	-	530	-	530
Transactions with owners							
Purchase of own shares	-	-	-	-	(905)	-	(905)
Sale of own shares	-	-	-	-	708	-	708
Dividend paid etc	-	-	-	-	-	(536)	(536)
Dividend, own shares	-	-	-	-	7	-	7
Total transactions with owners	-	-	-	-	(190)	(536)	(726)
Shareholders' equity at 30 Jun 2015	742	90	425	10	9,848	-	11,115
Shareholders' equity at 1 Jan 2014	742	77	425	3	8,986	4	10,237
Profit for the period	-	-	-	-	514	-	514
Other comprehensive income							
Translation of foreign entities	-	-	-	-	2	-	2
Hedge of net investment in foreign entities	-	-	-	-	(2)	-	(2)
Total other comprehensive income	-	-	-	-	-	-	-
Comprehensive income for the period	-	-	-	-	514	-	514
Transactions with owners							
Purchase of own shares	-	-	-	-	(481)	-	(481)
Sale of own shares	-	-	-	-	476	-	476
Dividend paid etc	-	-	-	-	-	(4)	(4)
Total transactions with owners	-	-	-	-	(5)	(4)	(9)
Shareholders' equity at 30 Jun 2014	742	77	425	3	9,495	-	10,742

* 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.

The Sydbank share	30 Jun 2015	Full year 2014	30 Jun 2014
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)	72,589,784	73,355,021	73,243,074
Average number of shares outstanding (number)	73,199,590	73,310,052	73,318,274

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

Capital

DKKkm	30 Jun 2015	31 Dec 2014	30 Jun 2014
Capital ratios			
Common Equity Tier 1 capital ratio	14.1	13.9	14.1
Tier 1 capital ratio	15.5	15.5	15.7
Capital ratio	17.2	16.0	16.2
Total capital:			
Shareholders' equity	11,115	11,311	10,742
Expected maximum dividend based on dividend policy	(265)	-	(257)
Actual or contingent obligations to purchase own shares	(297)	-	-
Proposed dividend etc	-	(536)	-
Intangible assets and capitalised deferred tax assets	(369)	(373)	(422)
Significant investments in financial sector	(379)	(301)	-
Common Equity Tier 1 capital	9,805	10,101	10,063
Additional Tier 1 capital	972	1,108	1,108
Tier 1 capital	10,777	11,209	11,171
Tier 2 capital	907	112	111
Difference between expected losses and accounting impairment charges	262	275	263
Total capital	11,946	11,596	11,545
Credit risk	47,268	49,417	47,725
Market risk	7,455	8,003	9,708
Operational risk	8,575	8,575	8,306
Other exposures incl credit valuation adjustment	6,195	6,472	5,571
Total risk exposure	69,493	72,467	71,310
Capital requirement under Pillar I	5,559	5,797	5,705

Cash Flow Statement

DKKm	1H 2015	Full year 2014	1H 2014
Operating activities			
Pre-tax profit for the period	693	1,329	514
Taxes paid	(365)	(90)	(48)
Adjustment for non-cash operating items	249	879	492
Cash flows from working capital	9,369	(1,662)	(927)
Cash flows from operating activities	9,946	456	31
Investing activities			
Purchase and sale of holdings in associates	9	1	1
Purchase and sale of intangible assets and property, plant and equipment	(35)	4	18
Cash flows from investing activities	(26)	5	19
Financing activities			
Purchase and sale of own holdings	(197)	13	(5)
Dividends etc	(529)	(4)	(4)
Raising of subordinated capital	743	(412)	(411)
Issue of bonds	(17)	(2,722)	(2,719)
Cash flows from financing activities	0	(3,125)	(3,139)
Cash flows for the period	9,920	(2,664)	(3,089)
Cash and cash equivalents at 1 Jan	2,285	4,949	4,949
Cash flows for the period	9,920	(2,664)	(3,089)
Total cash and cash equivalents at end of period	12,205	2,285	1,860

Segment Financial Statements

DKKm	Banking activities	Asset Management	Sydbank Markets	Treasury	Other	Total
Operating segments – 1H 2015						
Core income	2,073	92	62	-	-	2,227
Trading income	-	-	152	-	-	152
Total income	2,073	92	214	-	-	2,379
Costs, core earnings	1,251	29	62	-	32	1,374
Impairment of loans and advances etc	217	-	-	-	-	217
Core earnings	605	63	152	-	(32)	788
Investment portfolio earnings	-	-	-	(95)	-	(95)
Profit before non-recurring items	605	63	152	(95)	(32)	693
Non-recurring items, net	-	-	-	-	-	-
Profit before tax	605	63	152	(95)	(32)	693

DKKm	Banking activities	Asset Management	Sydbank Markets	Treasury	Other	Total
Operating segments – 1H 2014						
Core income	2,002	83	46	-	-	2,131
Trading income	-	-	152	-	-	152
Total income	2,002	83	198	-	-	2,283
Costs, core earnings	1,243	30	66	-	26	1,365
Impairment of loans and advances etc	430	-	-	-	-	430
Core earnings	329	53	132	-	(26)	488
Investment portfolio earnings	-	-	-	64	(27)	37
Profit before non-recurring items	329	53	132	64	(53)	525
Non-recurring items, net	108	-	-	-	(1)	107
Profit before tax	437	53	132	64	(54)	632

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	Sydbank Group		Sydbank A/S	
	1H 2015	1H 2014	1H 2015	1H 2014

Note 2

Interest income

Reverse transactions with credit institutions and central banks	(19)	(2)	(19)	(2)
Amounts owed by credit institutions and central banks	(1)	9	(1)	9
Reverse loans and advances	(10)	3	(10)	3
Loans and advances and other amounts owed	1,369	1,478	1,370	1,480
Bonds	157	244	157	244
Derivatives	(44)	(67)	(44)	(67)
comprising:				
Foreign exchange contracts	49	62	49	62
Interest rate contracts	(83)	(129)	(93)	(129)
Other contracts	0	0	0	0
Other interest income	4	(3)	4	(3)
Total	1,456	1,662	1,457	1,664

Note 3

Interest expense

Repo transactions with credit institutions and central banks	(22)	7	(22)	7
Credit institutions and central banks	12	27	12	27
Repo deposits	0	0	0	0
Deposits and other debt	145	221	146	223
Bonds issued	30	44	30	44
Subordinated capital	16	19	16	14
Other interest expense	1	1	1	1
Total	182	319	183	316

Note 4

Fee and commission income

Securities trading and custody accounts	512	449	493	449
Payment services	142	137	142	137
Loan fees	100	49	100	49
Guarantee commission	53	61	53	61
Other fees and commission	168	155	168	155
Total	975	851	956	851

Notes

DKKkm	Sydbank Group		Sydbank A/S	
	1H 2015	1H 2014	1H 2015	1H 2014

Note 5

Market value adjustments

Other loans and advances and amounts owed at fair value	1	0	1	0
Bonds	(203)	336	(203)	336
Shares etc	52	224	52	224
Investment property	0	1	0	1
Foreign exchange	118	76	118	76
Total derivatives	120	(295)	120	(295)
Assets related to pooled plans	389	515	389	515
Deposits in pooled plans	(391)	(515)	(391)	(515)
Other assets/liabilities	(2)	1	(2)	1
Total	84	343	84	343

Note 6

Staff costs and administrative expenses

Salaries and remuneration:				
Group Executive Management	7	6	7	6
Board of Directors	2	2	2	2
Shareholders' Committee	1	1	1	1
Total	10	9	10	9
Staff costs:				
Wages and salaries	638	638	633	638
Pensions	65	65	64	65
Social security contributions	8	8	8	8
Payroll tax etc	69	68	68	68
Total	780	779	773	779
Other administrative expenses:				
IT	272	284	254	283
Rent etc	54	74	65	80
Marketing and entertainment expenses	38	41	38	41
Other costs	115	110	115	109
Total	479	509	472	513
Total	1,269	1,297	1,255	1,301

Note 7

Staff

Average number of staff (full-time equivalent)	2,175	2,243	2,156	2,243
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Notes

DKKm	Sydbank Group		Sydbank A/S	
	1H 2015	1H 2014	1H 2015	1H 2014
Note 8				
Other operating expenses				
Contributions to the Guarantee Fund for Depositors and Investors	60	61	60	61
Other expenses	0	0	0	0
Total	60	61	60	61
Note 9				
Impairment of loans and advances recognised in the income statement				
Impairment and provisions	196	459	196	459
Write-offs	53	25	53	25
Recovered from debt previously written off	32	42	32	42
Impairment of loans and advances etc	217	442	217	442
Impairment and provisions at end of period				
Individual impairment and provisions	3,918	4,454	3,918	4,454
Collective impairment and provisions	389	150	389	150
Impairment and provisions at end of period	4,307	4,604	4,307	4,604
Individual impairment of loans and advances and provisions for guarantees				
Impairment and provisions at 1 Jan	4,111	4,164	4,111	4,164
Exchange rate adjustment	0	0	0	0
New individual impairment charges	768	1,161	768	1,161
Reversed individual impairment charges	568	632	568	632
Impairment charges previously recorded, now finally written off	393	239	393	239
Impairment and provisions at end of period	3,918	4,454	3,918	4,454
Individual impairment of loans and advances	3,807	4,347	3,807	4,347
Individual provisions for guarantees	111	107	111	107
Impairment and provisions at end of period	3,918	4,454	3,918	4,454
Collective impairment of loans and advances and provisions for guarantees				
Impairment and provisions at 1 Jan	301	137	301	137
Impairment and provisions during the period	88	13	88	13
Impairment and provisions at end of period	389	150	389	150
Sum of loans and advances and amounts owed subject to collective impairment and provisions	6,856	4,947	6,856	4,947
Collective impairment and provisions	389	150	389	150
Loans and advances and amounts owed after collective impairment and provisions	6,467	4,797	6,467	4,797
Individual impairment of loans and advances subject to objective evidence of impairment				
Balance before impairment of individually impaired loans and advances	6,628	7,481	6,628	7,481
Impairment of individually impaired loans and advances	3,807	4,347	3,807	4,347
Balance after impairment of individually impaired loans and advances	2,821	3,134	2,821	3,134
Accrued interest concerning individually and collectively impaired loans and advances	257	316	257	316

Notes

Industry	Loans/advances and guarantees		Impairment and provisions		Impairment of loans and advances etc for the period		Sydbank Group	
	30 Jun	31 Dec	30 Jun	31 Dec	1H	1H	Loss for the period	
	2015	2014	2015	2014	2015	2014	2015	2014
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	6,659	8,672	1,120	976	125	8	74	28
<i>Pig farming</i>	2,023	2,424	348	288	49	33	19	1
<i>Cattle farming</i>	2,037	2,877	640	540	68	(50)	9	17
<i>Crop production</i>	1,494	1,800	53	42	7	15	7	-
<i>Other agriculture</i>	1,105	1,571	79	106	1	10	39	10
Manufacturing and extraction of raw materials	8,006	7,166	191	227	(6)	1	28	37
Energy supply	3,102	2,969	22	20	3	17	4	-
Building and construction	3,448	3,119	104	137	3	13	34	16
Trade	12,504	12,049	436	478	(10)	74	29	23
Transportation, hotels and restaurants	3,236	3,054	69	72	3	(1)	2	9
Information and communication	503	548	29	28	0	3	1	0
Finance and insurance	6,376	6,131	297	365	(21)	46	33	6
Real property	6,972	7,843	438	567	(4)	227	126	45
<i>Leasing of commercial property</i>	3,275	3,632	197	275	(10)	76	56	17
<i>Leasing of residential property</i>	1,350	1,831	128	151	(1)	95	24	12
<i>Housing associations and cooperative housing associations</i>	1,476	1,336	-	-	-	-	-	-
<i>Purchase, development and sale on own account</i>	688	749	93	116	1	46	30	10
<i>Other related to real property</i>	183	295	20	25	6	10	16	6
Other corporate lending	4,002	3,906	170	158	4	9	15	31
Total corporate lending	54,808	55,457	2,876	3,028	97	397	346	195
Public authorities	1,017	880	-	-	-	-	-	-
Retail clients	32,659	30,257	931	968	32	32	100	69
Collective impairment charges			389	301	88	13		
Provisions for guarantees			111	115				
Total	88,484	86,594	4,307	4,412	217	442	446	264

Notes

DKKm	Sydbank Group		Sydbank A/S	
	1H 2015	1H 2014	1H 2015	1H 2014

Note 10

Profit on holdings in associates and subsidiaries

Profit/(Loss) on holdings in associates etc	4	8	7	8
Profit/(Loss) on holdings in subsidiaries etc	-	-	-	(2)
Total	4	8	7	6

Note 11

Effective tax rate

Current tax rate of Sydbank	23.5	24.5	23.5	24.5
Permanent differences *	-	(5.7)	-	(5.7)
Effective tax rate	23.5	18.8	23.5	18.8

* Permanent differences comprise a tax-free gain on shares of DKK 148m relating to the sale of Nets.

DKKm	Sydbank Group		Sydbank A/S	
	30 Jun 2015	31 Dec 2014	30 Jun 2015	31 Dec 2014

Note 12

Amounts owed by credit institutions and central banks

Amounts owed at notice by central banks	451	1,450	451	1,450
Amounts owed by credit institutions	8,021	8,144	8,014	8,125
Total	8,472	9,594	8,465	9,575
Of which reverse transactions	4,649	6,731	4,649	6,731

Note 13

Other assets

Positive market value of derivatives etc	9,995	12,164	9,995	12,164
Sundry debtors	496	424	475	420
Interest and commission receivable	239	283	239	283
Cash collateral provided, CSA agreements	2,486	3,505	2,486	3,505
Other assets	0	0	0	0
Total	13,216	16,376	13,195	16,372

Notes

DKKm	Sydbank Group		Sydbank A/S	
	30 Jun 2015	31 Dec 2014	30 Jun 2015	31 Dec 2014

Note 14

Amounts owed to credit institutions and central banks

Amounts owed to central banks	101	1,500	101	1,500
Amounts owed to credit institutions	25,521	30,551	25,774	30,768
Total	25,622	32,051	25,875	32,268
Of which repo transactions	13,735	18,472	13,735	18,472

Note 15

Deposits and other debt

On demand	67,782	58,424	69,690	58,726
At notice	344	339	344	339
Time deposits	6,869	9,356	6,869	9,356
Special categories of deposits	6,203	5,803	6,203	5,803
Total	81,198	73,922	83,106	74,224
Of which repo transactions	2,195	2,601	2,195	2,601

Note 16

Other liabilities

Negative market value of derivatives etc	10,380	12,677	10,380	12,678
Sundry creditors etc	1,145	1,135	1,131	1,133
Negative portfolio, reverse transactions	4,533	3,770	4,533	3,770
Interest and commission etc	123	50	123	50
Cash collateral received, CSA agreements	996	1,208	996	1,208
Total	17,177	18,840	17,163	18,839

Note 17

Provisions

Provisions for pensions and similar obligations	4	4	4	4
Provisions for deferred tax	73	73	79	79
Provisions for guarantees	111	115	111	115
Other provisions *	67	74	65	73
Total	255	266	259	271

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

Notes

DKK m	Sydbank Group		Sydbank A/S	
	30 Jun 2015	31 Dec 2014	30 Jun 2015	31 Dec 2014

Note 18

Subordinated capital

Interest rate	Note		Nominal (m)	Maturity				
1.50 (fixed)	1)	Bond loan	EUR 100	11 Mar 2027	739	-	739	-
Total Tier 2 capital					739	-	739	-
1.10 (floating)	2)	Bond loan	EUR 100	Perpetual	746	742	746	742
1.14 (floating)	3)	Bond loan	EUR 75	Perpetual	558	558	558	558
6.36 (fixed)	4)	Bond loan	DKK 85	Perpetual	85	85	85	85
Total Additional Tier 1 capital					1,389	1,385	1,389	1,385
Total subordinated capital					2,128	1,385	2,128	1,385
Costs relating to the raising and redemption of subordinated capital					0	0	0	0

- 1) Optional redemption on 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 3-month EURIBOR.
 3) The interest rate follows the 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 3-month CIBOR.

Note 19

Contingent liabilities and other obligating agreements

Contingent liabilities

Financial guarantees	4,106	3,604	4,106	3,604
Mortgage finance guarantees	1,803	1,464	1,803	1,464
Registration and remortgaging guarantees	5,250	7,152	5,250	7,152
Other contingent liabilities	1,715	1,626	1,715	1,626
Total	12,874	13,846	12,874	13,846

Other obligating agreements

Irrevocable credit commitments	1,215	1,196	1,215	1,196
Other liabilities	41	49	56	66
Total	1,256	1,245	1,271	1,262
Including intra-group liabilities in relation to rented premises	-	-	15	22

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

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

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

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	Sydbank Group		Sydbank A/S	
	30 Jun 2015	31 Dec 2014	30 Jun 2015	31 Dec 2014

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 by 31 December 2024 and represent assets of at least 1% of the amount of covered deposits of all Danish credit institutions. 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	16,146	21,301	16,146	21,301
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Assets purchased as part of reverse transactions

Bonds at fair value	14,296	13,518	14,296	13,518
Shares etc	-	-	-	-

Note 21

Collateral

At 30 June 2015 the Group had deposited as collateral securities at a market value of DKK 167m with Danish and foreign exchanges and clearing centres etc in connection with margin calls and securities settlements etc.

Notes

DKKkm	Sydbank Group			
	1H 2015	1H 2014	Index 15/14	Full year 2014

Note 22

Related parties

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

No unusual transactions took place with related parties in 1H 2015. Reference is made to the Group's 2014 Annual Report for a detailed description of related party transactions.

Note 23

Reporting events occurring after the balance sheet date

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

Note 24

Large shareholders

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

Note 25

Core income

Net interest etc	1,204	1,249	96	2,521
Mortgage credit *	204	172	119	359
Payment services	102	108	94	219
Remortgaging and loan fees	99	48	206	127
Commission and brokerage	228	171	133	351
Commission etc investment funds and pooled pension plans	181	167	108	339
Asset management	92	87	106	174
Custody account fees	39	42	93	80
Other income	78	87	90	149
Total	2,227	2,131	105	4,319

* Mortgage credit

Totalkredit cooperation	168	137	123	294
Totalkredit, set-off of loss	15	15	100	34
Totalkredit cooperation, net	153	122	125	260
DLR Kredit	49	43	114	88
Other mortgage credit income	2	7	-	11
Total	204	172	119	359

Notes



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 145m.

Notes

30 Jun 2015

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

Financial assets

Amounts owed by credit institutions and central banks	-	4,649	-	4,649	4,649
Loans and advances at fair value	-	9,733	-	9,733	9,733
Bonds at fair value	-	26,308	-	26,308	26,308
Shares etc	196	23	1,449	1,668	1,668
Assets related to pooled plans	4,271	7,543	-	11,814	11,814
Other assets	54	10,027	-	10,081	10,081
Total	4,521	58,283	1,449	64,253	64,253

Financial liabilities

Amounts owed to credit institutions and central banks	-	13,735	-	13,735	13,735
Deposits and other debt	-	2,195	-	2,195	2,195
Deposits in pooled plans	-	11,825	-	11,825	11,825
Other liabilities	56	14,857	-	14,913	14,913
Total	56	42,612	-	42,668	42,668

DKKm

30 Jun 2015

30 Jun 2014

Assets measured on the basis of unobservable inputs

Carrying amount at 1 Jan	1,392	1,357
Additions	24	31
Disposals	6	3
Market value adjustment	39	179
Value at end of period	1,449	1,564

Recognised in profit for the period

Interest income	-	-
Dividend	10	33
Market value adjustment	39	179
Total	49	212

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 2m for 1H 2015.

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

Note 28

Group holdings and enterprises – 30 June 2015

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
Heering Huse ApS, Aabenraa	Real property	100	0	12	12	0	(1)
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 – First Half 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 June 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 June 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, 19 August 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 Mikkjelgaard-Jensen

Frank Møller Nielsen

Jacob Chr. Nielsen

Bo Normann Rasmussen

Jarl Oxlund

Margrethe Weber

Supplementary Information

Financial calendar

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

– Interim Report – Q1-Q3 2015
27 October 2015

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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.