
Interim Report – Q1-Q3 2017

Sydbank Group

Sydbank

Sydbank's Interim Report – Q1-Q3 2017

Highly satisfactory result – return of 13.9% p.a. on shareholders' equity after tax

Sydbank has delivered a highly satisfactory performance for the first nine months of 2017 and continues the positive trend. Trading income as well as investment portfolio earnings are at a high level in Q1-Q3 2017. Impairment charges have declined by DKK 152m compared to the same period in 2016. The Group's loans and advances have effectively dropped by DKK 2.0bn adjusted for the effect of the funding of mortgage-like loans.

CEO Karen Frøsig comments on Sydbank's Q1-Q3 result:

- It is highly satisfactory to note an increase of DKK 176m in profit after tax compared with the same period in 2016. The increase in profit is driven by improvements in impairment charges and investment portfolio earnings. Profit after tax equals a return on shareholders' equity of 13.9% p.a.

Karen Frøsig elaborates:

- The financial health of the Bank's customers is generally good, which means that the need for impairment charges for loans and advances is limited. As a result of the current level of interest rates combined with relatively low demand for new loans and advances as well as keen competition, net interest income continues to be under pressure. But I am very pleased that the drop in net interest income has been offset by a rise in other core income, bringing total core income to the level achieved in the same period in 2016.

Sydbank's market share of corporate clients is growing. Karen Frøsig comments:

- I am pleased to note that Sydbank continues to attract new corporate clients. As the primary bank of enterprises with 10-499 employees the Bank has achieved a market share of 12.7%, making it Denmark's third largest corporate bank.

Q1-Q3 2017 – highlights

- Profit of DKK 1,204m, equal to a return of 13.9% p.a. on shareholders' equity after tax.
- Total income of DKK 3,326m on a par with the level in Q1-Q3 2016.
- Impairment charges for loans and advances represent an income of DKK 38m and have declined by DKK 152m compared with the same period in 2016.
- Bank loans and advances including funded mortgage-like loans have declined by DKK 2.0bn, equal to 2.5% compared to year-end 2016. Bank loans and advances excluding funded mortgage-like loans have declined by DKK 10.4bn, equal to 13.5% in Q1-Q3 2017.
- The Common Equity Tier 1 capital ratio has declined by 0.6 percentage points compared to year-end 2016 and constitutes 15.5% excluding profit for the period. When including 50% of profit for the period, the Common Equity Tier 1 capital ratio stands at 16.5%.
- A share buyback of DKK 664m was commenced on 2 March 2017.

Outlook for 2017

- Limited growth is projected for the Danish economy in 2017.
- Based on the level of interest rates at the beginning of 2017, core income is expected to be on a par with the core income generated in 2016.
- Trading income is anticipated to remain unchanged relative to income in 2016 but is dependent on financial market developments.
- As a consequence of general pay rises for the financial sector and a payroll tax increase of 0.5%, costs (core earnings) are projected to rise slightly despite measures implemented.
- Impairment charges in 2017 are forecast to be lower than the level recorded in 2016.
- As a result of intensified digitization of the Bank as well as the establishment of a new mortgage platform, non-recurring costs are expected to represent around DKK 75m.

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Group Financial Highlights

	Q1-Q3 2017	Q1-Q3 2016	Index 17/16	Q3 2017	Q3 2016	Full year 2016
Income statement (DKK m)						
Core income	3,129	3,131	100	1,036	1,030	4,198
Trading income	197	188	105	58	65	237
Total income	3,326	3,319	100	1,094	1,095	4,435
Costs, core earnings	1,992	1,958	102	623	612	2,590
Core earnings before impairment	1,334	1,361	98	471	483	1,845
Impairment of loans and advances etc	(38)	114	-	(29)	33	87
Core earnings	1,372	1,247	110	500	450	1,758
Investment portfolio earnings	195	41	476	8	49	104
Profit before non-recurring items	1,567	1,288	122	508	499	1,862
Non-recurring items, net	(23)	21	-	(11)	(5)	7
Profit before tax	1,544	1,309	118	497	494	1,869
Tax	340	281	121	109	109	397
Profit for the period	1,204	1,028	117	388	385	1,472
Balance sheet highlights (DKK bn)						
Loans and advances at amortised cost	66.8	78.1	86	66.8	78.1	77.2
Loans and advances at fair value	5.9	6.9	86	5.9	6.9	6.1
Deposits and other debt	80.8	78.6	103	80.8	78.6	81.1
Bonds issued at amortised cost	3.7	7.1	52	3.7	7.1	3.7
Subordinated capital	1.3	2.1	62	1.3	2.1	2.1
Shareholders' equity	11.8	11.4	103	11.8	11.4	11.8
Total assets	131.9	146.2	90	131.9	146.2	146.7
Financial ratios per share (DKK per share of DKK 10)						
EPS Basic	17.5	14.6		5.7	5.5	20.9
EPS Diluted	17.5	14.6		5.7	5.5	20.9
Share price at end of period	261.3	201.4		261.3	201.4	219.2
Book value	174.0	163.0		174.0	163.0	169.2
Share price/book value	1.50	1.24		1.50	1.24	1.30
Average number of shares outstanding (in millions)	68.7	70.6		68.0	69.9	70.4
Dividend per share	-	-		-	-	10.46
Other financial ratios and key figures						
Common Equity Tier 1 capital ratio	15.5	14.9		15.5	14.9	16.1
Tier 1 capital ratio	16.0	16.2		16.0	16.2	17.4
Capital ratio	18.1	18.0		18.1	18.0	19.2
Pre-tax profit as % p.a. of average shareholders' equity	17.8	15.7		17.1	17.6	16.6
Post-tax profit as % p.a. of average shareholders' equity	13.9	12.3		13.3	13.7	13.1
Costs (core earnings) as % of total income	59.9	59.0		56.9	55.9	58.4
Return on assets (%)	0.9	0.7		0.3	0.3	1.0
Interest rate risk	1.6	0.6		1.6	0.6	1.6
Foreign exchange position	2.4	1.4		2.4	1.4	2.2
Foreign exchange risk	0.0	0.0		0.0	0.0	0.0
Loans and advances relative to deposits *	0.7	0.8		0.7	0.8	0.8
Loans and advances relative to shareholders' equity *	5.7	6.9		5.7	6.9	6.6
Growth in loans and advances for the period *	(13.5)	5.1		(5.3)	(1.0)	3.9
Excess cover relative to statutory liquidity requirements	223.9	209.5		223.9	209.5	186.5
Total large exposures	11.2	35.2		11.2	35.2	0.0
Accumulated impairment ratio	3.4	4.2		3.4	4.2	3.6
Impairment ratio for the period	(0.05)	0.12		(0.03)	0.03	0.10
Number of full-time staff at end of period	2,069	2,048	101	2,069	2,048	2,037

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

Highlights

Strong trading income, high investment portfolio earnings and continued high credit quality ensure a highly satisfactory result for Q1-Q3 2017

Sydbank's financial statements for Q1-Q3 show a profit before tax of DKK 1,544m compared with DKK 1,309m one year ago. The increase is primarily attributable to an improvement in investment portfolio earnings of DKK 154m as well as a decline in impairment charges of DKK 152m.

Profit before tax equals a return on average shareholders' equity of 17.8% p.a.

Core income and costs (core earnings) are in line with the expectations announced in the 2016 Annual Report. Trading income and impairment charges recorded in Q1-Q3 2017 exceeded the expectations presented in the 2016 Annual Report.

Net interest etc constitutes DKK 1,520m compared with DKK 1,749m in 2016 – a decrease of DKK 229m. DKK 88m of the decrease is attributable to the effect of the amended funding agreement concerning mortgage-like loans.

Core income represents DKK 3,129m compared with DKK 3,131m in 2016 – a decline of DKK 2m.

Total income amounts to DKK 3,326m against DKK 3,319m in 2016.

Core earnings constitute DKK 1,372m compared with DKK 1,247m in 2016 – an increase of DKK 125m.

Profit for the period amounts to DKK 1,204m compared with DKK 1,028m in 2016 – an increase of DKK 176m.

Follow-up on the 3-year plan – Blue growth

The strategy for the 3-year period 2016–2018 is named “Blue growth”. Blue growth means high-quality and profitable banking – pure and simple.

Status – targets

Target	Objective	Status at 30 September 2017	Comment
Return on shareholders' equity after tax	Over 12% *	13.9%	Progressing as planned
Customer satisfaction – Corporate	Top 3 **	4th – Aalund	Not met in 2017
Customer satisfaction – Retail	Top 3 **	5th – EPSI	Not met in 2017
Common Equity Tier 1 capital ratio	Around 13.5%	15.5%	Met from Q3 2013
Capital ratio	Around 17.0%	18.1%	Met from Q1 2015
Dividend	30-50% of profit for the year after tax	50% of profit for the year after tax in 2016	Met in 2016

* or top 3 ranking among the 6 largest banks

** among the 6 largest banks

Blue growth – targets:

- Realise a return of a minimum of 12% on shareholders' equity after tax or be in the top 3 of the 6 largest banks
- Maintain top 3 ranking among the 6 largest banks in terms of customer satisfaction.



To ensure further digitization of processes and the establishment of a new mortgage platform, DKK 75m will be allocated in 2017 to optimise IT systems. The amount will be recognised under “Non-recurring items”.

These funds cover three projects:

- Optimisation of housing loan processes
- New mortgage platform
- Streamlining of credit processes.

Customers and employees alike will experience considerable improvements as a result of the projects. Customers in the form of shorter response times and case processing times. Employees in the form of smoother procedures and qualitative improvements. The projects will contribute to developing the Bank as well as make it possible to adjust costs – also in the years ahead.

Q1-Q3 performance

Compared with Q1-Q3 2016 core income has dropped by DKK 2m to DKK 3,129m. The development in core income is mainly attributable to a decrease in net interest income etc and a rise in mortgage credit income.

Trading income rose to DKK 197m in Q1-Q3 2017 compared with DKK 188m in the same period in 2016, an increase of 5%.

Total income represents DKK 3,326m, an increase of DKK 7m compared with Q1-Q3 2016.

At Sydbank costs (core earnings) are a constant focus area and the Bank maintained tight control of costs (core earnings) in Q1-Q3, which constituted DKK 1,992m compared with DKK 1,958m in 2016 – an increase of DKK 34m.

Compared with Q1-Q3 2016 the Group's impairment charges for loans and advances have declined by DKK 152m to an income of DKK 38m.

Together the Group's position-taking and liquidity handling recorded investment portfolio earnings of DKK 195m in Q1-Q3 2017 compared with DKK 41m a year ago.

Profit before tax for Q1-Q3 2017 amounts to DKK 1,544m compared with DKK 1,309m in the same period in 2016. Tax represents DKK 340m. Profit for the period amounts to DKK 1,204m compared with DKK 1,028m in 2016.

Credit intermediation

In addition to traditional bank loans and advances the Group arranges for mortgage loans from Totalkredit and DLR Kredit. The Group's total credit intermediation comprises bank loans and advances, mortgage-like loans funded by Totalkredit as well as mortgage loans arranged through Totalkredit and DLR Kredit respectively. At 30 September 2017 credit intermediation totalled DKK 145.4bn – a drop of DKK 2.5bn since year-end 2016.

Total credit intermediation (DKKbn)	30 Sep 2017	31 Dec 2016
Bank loans and advances	66.8	77.2
Funded mortgage-like loans	8.4	-
Arranged mortgage loans – Totalkredit	58.2	58.3
Arranged mortgage loans – DLR	12.0	12.4
Total	145.4	147.9

Capital

The Bank keeps updated on the market for subordinated capital in the form of Additional Tier 1 capital as well as Tier 2 capital with a view to optimising its capital structure when the timing is believed to be right.

The Bank will issue Tier 2 capital in the amount of EUR 75m on 2 November 2017. The issue is a 12-year issue with a first call option after 7 years.

The Bank has prepaid Additional Tier 1 capital of EUR 100m and DKK 85m. The prepayments were made on 25 April 2017 and 15 May 2017 respectively.

The Bank has implemented a share buyback programme of DKK 664m. The share buyback commenced on 2 March 2017 and will be completed by 31 December 2017. At end-September 1,909,600 shares worth DKK 471m, made up at the trade date, had been repurchased.

The share buyback is part of the capital adjustment to optimise the capital structure in accordance with the Group's capital policy published in the 2016 Annual Report.

Outlook for 2017

Limited growth is projected for the Danish economy in 2017.

Based on the level of interest rates at the beginning of 2017, core income is expected to be on a par with the core income generated in 2016.

Trading income is anticipated to remain unchanged relative to income in 2016 but is dependent on financial market developments.

As a consequence of general pay rises for the financial sector and a payroll tax increase of 0.5%, costs (core earnings) are projected to rise slightly despite measures implemented.

Impairment charges in 2017 are forecast to be lower than the level recorded in 2016.

As a result of intensified digitization of the Bank as well as the establishment of a new mortgage platform, non-recurring costs are expected to represent around DKK 75m.

Financial Review – Performance in Q1-Q3 2017

The Sydbank Group has recorded a profit before tax of DKK 1,544m (Q1-Q3 2016: DKK 1,309m).

Profit before tax equals a return on average shareholders' equity of 17.8% p.a.

Profit for the period after tax amounts to DKK 1,204m compared with DKK 1,028m in 2016.

Profit after tax equals a return on average shareholders' equity of 13.9% p.a.

The highly satisfactory result for Q1-Q3 2017 exceeds expectations at the beginning of the year.

The result is characterised by:

Q1-Q3

- A decrease in core income of DKK 2m to DKK 3,129m
- A rise in trading income of DKK 9m
- A 2% increase in costs (core earnings) to DKK 1,992m
- A decline in impairment charges for loans and advances of DKK 152m
- A rise in core earnings of DKK 125m to DKK 1,372m
- Investment portfolio earnings of DKK 195m
- Bank loans and advances of DKK 66.8bn (year-end 2016: DKK 77.2bn)
- Bank deposits of DKK 80.8bn (year-end 2016: DKK 81.1bn)
- A capital ratio of 18.1%, including a Common Equity Tier 1 capital ratio of 15.5%
- An individual solvency need of 10.5% (year-end 2016: 10.2%).

Income statement – Q1-Q3 (DKKm)	2017	2016
Core income	3,129	3,131
Trading income	197	188
Total income	3,326	3,319
Costs, core earnings	1,992	1,958
Core earnings before impairment	1,334	1,361
Impairment of loans and advances etc	(38)	114
Core earnings	1,372	1,247
Investment portfolio earnings	195	41
Profit before non-recurring items	1,567	1,288
Non-recurring items, net	(23)	21
Profit before tax	1,544	1,309
Tax	340	281
Profit for the period	1,204	1,028

Core income

Core income has declined by DKK 2m to DKK 3,129m.

Net interest has decreased by DKK 229m to DKK 1,520m. DKK 88m of the decline is attributable to the effect of the amended funding agreement concerning mortgage-like loans. The funding agreement was changed from an offsetting model according to which the Bank covers losses as regards the entire loan to a guarantee model according to which the Bank provides a guarantee for the part of the loan in the LTV range of 60-80%. As a consequence of the amendment of the agreement, funded mortgage-like loans will not be recognised in the Bank's balance sheet in future and income will be recognised under mortgage credit income.

Net income from the cooperation with Totalkredit represents DKK 312m (2016: DKK 208m) after a set-off of loss of DKK 22m (2016: DKK 16m). The cooperation with DLR Kredit has generated an income of DKK 113m (2016: DKK 82m). Compared to 2016 total mortgage credit income has climbed by DKK 135m to DKK 427m – an increase of 46%. DKK 73m of the DKK 135m increase is attributable to funded mortgage-like loans.

Income from remortgaging and loan fees has gone up from DKK 67m in 2016 to DKK 104m – an increase of 55%.

Compared with 2016 income from asset management has gone up by DKK 45m to DKK 188m – a rise of 31%.

The remaining income components have risen by DKK 10m compared to 2016 – an increase of 1%.

Core income – Q1-Q3 (DKKm)	2017	2016
Net interest etc	1,520	1,749
Mortgage credit	427	292
Payment services	149	149
Remortgaging and loan fees	104	67
Commission and brokerage	273	261
Commission etc investment funds and pooled pension plans	291	286
Asset management	188	143
Custody account fees	53	53
Other operating income	124	131
Total	3,129	3,131

Trading income

Trading income rose to DKK 197m in Q1-Q3 2017 compared with DKK 188m in the same period in 2016 – an increase of 5%.

In Fixed Income considerable trading activity was recorded in mortgage bonds as well as corporate bonds in Q1-Q3 2017. In Equities activity was at a satisfactory level in Q1-Q3 2017.

Trading income – Q1-Q3 (DKKm)	2017	2016
Bonds	129	110
Shares	44	53
Foreign exchange, interest etc	24	25
Total	197	188

Costs and depreciation

The Group's costs and depreciation totalled DKK 2,020m, equal to an increase of DKK 47m compared with 2016. The increase is a consequence of general pay rises for the financial sector and a payroll tax increase of 0.5%.

Costs and depreciation – Q1-Q3 (DKKm)	2017	2016
Staff costs	1,147	1,115
Other administrative expenses	781	769
Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	72	74
Other operating expenses	20	15
Total costs and depreciation	2,020	1,973
Distributed as follows:		
Costs, core earnings	1,992	1,958
Costs, investment portfolio earnings	5	5
Non-recurring costs	23	10

Costs (core earnings) represent DKK 1,992m compared with DKK 1,958m in 2016.

At 30 September 2017 the Group's staff numbered 2,069 (full-time equivalent) compared with 2,037 at 31 December 2016.

In connection with the opening of a new regional head office in Odense the number of branches has been reduced by two compared with year-end 2016. This brings the number of branches to 62 in Denmark and three in Germany.

Core earnings before impairment

Core earnings before impairment charges for loans and advances represent DKK 1,334m – a decrease of DKK 27m or 2% compared with the same period in 2016.

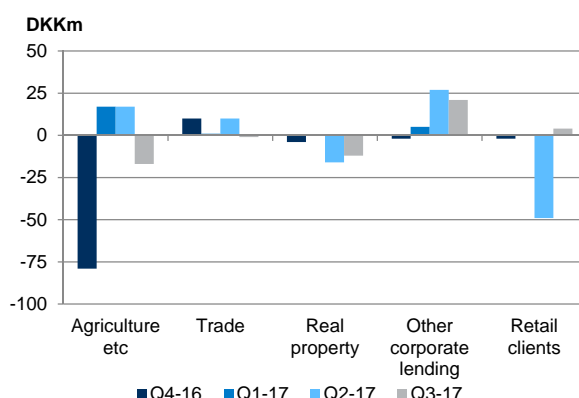
Impairment of loans and advances etc

Impairment charges for loans and advances represent an income of DKK 38m compared with an expense of DKK 114m during the same period in 2016 – a decrease of DKK 152m.

Collective impairment charges for agricultural exposures represent DKK 150m at 30 September 2017 – unchanged compared with year-end 2016.

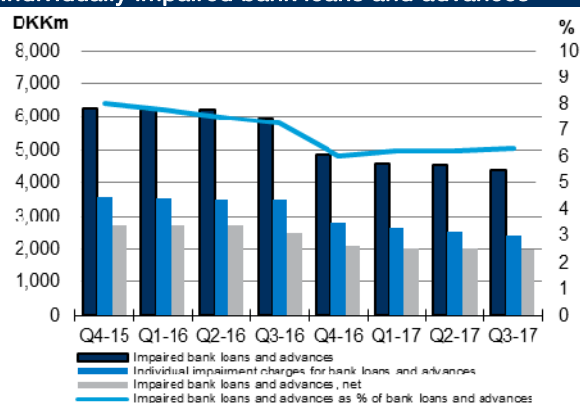
The chart below shows impairment charges for loans and advances in the last four quarters as regards agriculture etc, trade, real property, other corporate lending as well as retail clients.

Quarterly individual impairment charges



At 30 September 2017 the impairment ratio represents minus 0.05% relative to bank loans and advances and minus 0.04% relative to bank loans and advances and guarantees. At end-September 2017 accumulated impairment and provisions amount to DKK 2,978m – a decline of DKK 311m compared with the beginning of the year.

Individually impaired bank loans and advances



Compared with 30 September 2016 impaired bank loans and advances before impairment charges have decreased by DKK 1,555m to DKK 4,394m, equal to a decline of 26.1%.

DKK 982m of the decrease is attributable to non-defaulted bank loans and advances and DKK 573m is attributable to defaulted bank loans and advances. During the same period individually impaired bank loans and advances after impairment charges fell by DKK 480m, equal to 19.5%.

Impairment charges for individually impaired bank loans and advances represent 55.0% (30 September 2016: 58.7% and year-end 2016: 56.1%).

The decline in impaired bank loans and advances is significantly impacted by the conversion of bank loans and advances – as regards agricultural exposures – to subordinated loan capital and the subsequent write-off for accounting purposes.

In Q1-Q3 2017 reported losses amounted to DKK 506m (Q1-Q3 2016: DKK 614m). Of the reported losses DKK 422m has previously been written down.

Individually impaired bank loans and advances (DKKm)	30 Sep 2017	31 Dec 2016	30 Sep 2016
Non-defaulted bank loans and advances	3,364	3,637	4,346
Defaulted bank loans and advances	1,030	1,225	1,603
Impaired bank loans and advances	4,394	4,862	5,949
Impairment charges for bank loans and advances subject to individual impairment	2,415	2,726	3,490
Impaired bank loans and advances after impairment charges	1,979	2,136	2,459
Impaired bank loans and advances as % of bank loans and advances before impairment charges	6.3	6.1	7.3
Impairment charges as % of bank loans and advances before impairment charges	3.5	3.4	4.3
Impairment as % of impaired bank loans and advances	55.0	56.1	58.7
Impairment charges as % of defaulted bank loans and advances	234.5	222.5	217.7

Impairment charges as a percentage of defaulted bank loans and advances at 30 September 2017 stand at 234.5.

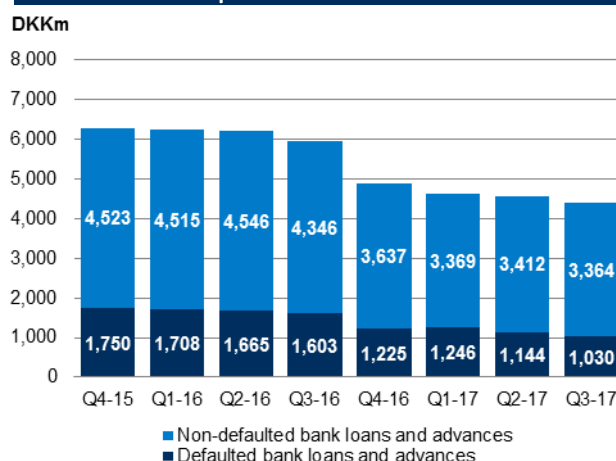
The figure below shows the breakdown of impaired bank loans and advances in terms of defaulted bank loans and advances and non-defaulted bank loans and advances.

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

Since 30 September 2016 defaulted bank loans and advances have dropped by DKK 573m to DKK 1,030m, equal to a decline of 35.7%.

Since 30 September 2016 non-defaulted bank loans and advances have dropped by DKK 982m to DKK 3,364m, equal to a decline of 22.6%.

Breakdown of impaired bank loans and advances



Core earnings

Core earnings represent DKK 1,372m – an increase of DKK 125m or 10.0% compared with Q1-Q3 2016.

Investment portfolio earnings

Together the Group's position-taking and liquidity handling recorded investment portfolio earnings of DKK 195m in Q1-Q3 2017 compared with DKK 41m a year ago.

The high investment portfolio earnings in Q1-Q3 2017 are a consequence of narrowing credit spreads on mortgage bonds as well as gains on interest rate fluctuations.

The risk continues to be composed so that the Bank will profit from an interest rate increase.

Investment portfolio earnings – Q1-Q3 (DKKm)	2017	2016
Position-taking	116	9
Liquidity generation and liquidity reserves	61	33
Strategic positions	23	4
Costs	(5)	(5)
Total	195	41

Margin expenses as regards the Group's senior issues are included under liquidity generation and liquidity reserves and represent DKK 16m in Q1-Q3 2017 compared with DKK 29m in Q1-Q3 2016.

Non-recurring items etc, net

Non-recurring items etc total an expense of DKK 23m compared with a net income of DKK 21m in Q1-Q3 2016. The item consists of process digitization costs related to Blue growth as well as the establishment of a new mortgage platform. In Q1-Q3 2016 this item included one-off income of DKK 31m concerning the adjustment of the purchase sum from the sale of the shares in Nets Holding in 2014 as well as process optimisation costs of DKK 10m.

Profit for the period (DKKm)	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Core income	1,036	1,040	1,053	1,067	1,030	1,051	1,050
Trading income	58	46	93	49	65	69	54
Total income	1,094	1,086	1,146	1,116	1,095	1,120	1,104
Costs, core earnings	623	678	691	632	612	665	681
Core earnings before impairment	471	408	455	484	483	455	423
Impairment of loans and advances etc	(29)	(20)	11	(27)	33	43	38
Core earnings	500	428	444	511	450	412	385
Investment portfolio earnings	8	51	136	63	49	14	(22)
Profit before non-recurring items	508	479	580	574	499	426	363
Non-recurring items, net	(11)	(6)	(6)	(14)	(5)	26	-
Profit before tax	497	473	574	560	494	452	363
Tax	109	104	127	116	109	92	80
Profit for the period	388	369	447	444	385	360	283

Profit for the period

Profit before tax amounts to DKK 1,544m (Q1-Q3 2016: DKK 1,309m). Tax represents DKK 340m, equal to an effective tax rate of 22.0%. Profit for the period amounts to DKK 1,204m compared with DKK 1,028m in 2016.

Return

Profit for the period equals a return on average shareholders' equity of 13.9% p.a. after tax against 12.3% p.a. in Q1-Q3 2016. Earnings per share stands at DKK 17.5 compared with DKK 14.6 in 2016.

Subsidiaries

Ejendomsselskabet recorded a profit after tax of DKK 2m (Q1-Q3 2016: DKK 3m). Profit after tax in DiBa A/S and Syd Fund Management A/S represents DKK 0m (Q1-Q3 2016: DKK 99m) and DKK 11m (Q1-Q3 2016: DKK 5m) respectively.

Q3 2017

Profit before tax for the quarter represents DKK 497m.

Compared with Q2 2017 profit before tax reflects:

- a decline in net interest etc of DKK 21m
- a decrease in core income of DKK 4m
- a rise in trading income of DKK 12m
- a reduction in costs (core earnings) of DKK 55m
- a decrease in impairment charges for bank loans and advances of DKK 9m
- an increase in core earnings of DKK 72m to DKK 500m
- investment portfolio earnings of DKK 8m (Q2 2017: DKK 51m).

Total assets

The Group's total assets made up DKK 131.9bn at 30 September 2017 against DKK 146.7bn at year-end 2016.

Assets (DKKbn)	30 Sep 2017	31 Dec 2016
Amounts owed by credit institutions etc	7.7	9.0
Loans and advances at fair value (reverse transactions)	5.9	6.1
Loans and advances at amortised cost (bank loans and advances)	66.8	77.2
Securities and holdings etc	24.4	28.3
Assets related to pooled plans	16.0	13.8
Other assets etc	11.1	12.3
Total	131.9	146.7

The Group's bank loans and advances made up DKK 66.8bn at end-September 2017 against DKK 77.2bn at year-end 2016 and DKK 78.1bn at end-September 2016.

Shareholders' equity and liabilities (DKKbn)	30 Sep 2017	31 Dec 2016
Amounts owed to credit institutions etc	3.2	17.6
Deposits and other debt	80.8	81.1
Deposits in pooled plans	16.0	13.8
Bonds issued	3.7	3.7
Other liabilities etc	15.1	16.6
Subordinated capital	1.3	2.1
Shareholders' equity	11.8	11.8
Total	131.9	146.7

The Group's deposits amount to DKK 80.8bn, equal to a decline of DKK 0.3bn compared to the level at year-end 2016.

As a consequence of the amendment of the funding agreement concerning mortgage-like loans effective 1 January 2017, funded mortgage-like loans and the

corresponding funding are no longer recognised in the Group's balance sheet. Funded mortgage-like loans represent DKK 8.4bn at end-September 2017. The funding was included in "Amounts owed to credit institutions etc" at year-end 2016.

Capital

At 30 September 2017 shareholders' equity constitutes DKK 11,769m – an increase of DKK 12m since year-end 2016. The change comprises an addition from profit for the period of DKK 1,204m less actual distribution of DKK 735m and net purchases of own shares etc of DKK 457m.

The Bank keeps updated on the market for subordinated capital in the form of Additional Tier 1 capital as well as Tier 2 capital with a view to optimising its capital structure when the timing is believed to be right.

The Bank will issue Tier 2 capital in the amount of EUR 75m on 2 November 2017. The issue is a 12-year issue with a first call option after 7 years.

The Bank has prepaid Additional Tier 1 capital of EUR 100m and DKK 85m. The prepayments were made on 25 April 2017 and 15 May 2017 respectively.

The Bank has implemented a share buyback programme of DKK 664m. The share buyback commenced on 2 March 2017 and will be completed by 31 December 2017. At end-September 1,909,600 shares worth DKK 471m, made up at the trade date, had been repurchased.

The share buyback is part of the capital adjustment to optimise the capital structure in accordance with the Group's capital policy published in the 2016 Annual Report.

REA (DKKbn)	30 Sep 2017	31 Dec 2016
Credit risk	40.2	41.7
Market risk	6.4	8.1
Operational risk	8.0	8.0
Other exposures incl CVA	5.5	5.8
Total	60.1	63.6

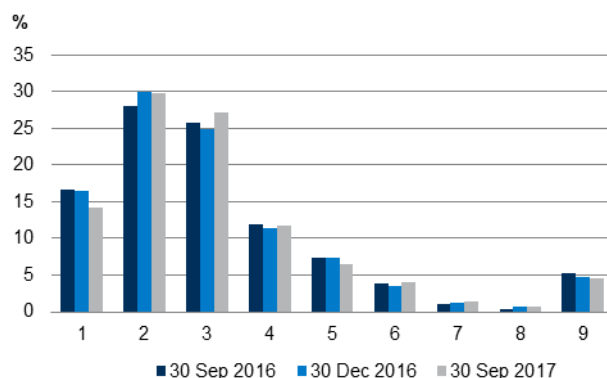
The risk exposure amount represents DKK 60.1bn (year-end 2016: DKK 63.6bn). The change is mainly attributable to a decrease in market risk of DKK 1.7bn and a decline in credit risk of DKK 1.5bn.

The development in the gross exposure by rating category at 30 September 2016, 31 December 2016 and 30 September 2017 appears below.

Compared with 30 September 2016 the gross exposure by rating category shows an overall

positive development with an increasing share in the four best rating categories.

Gross exposure by rating category

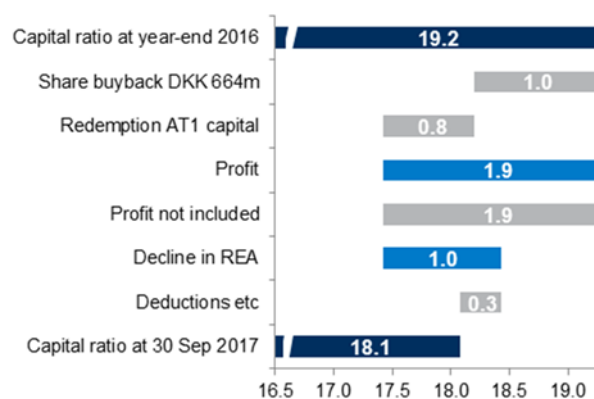


The gross exposure consists of loans and advances, unused credit facilities, interest receivable, guarantees and counterparty risk on derivatives. The graph comprises exposures treated according to IRB. Exposures relating to clients in default are not included in the breakdown of rating categories. Impairment charges for exposures have not been deducted from the exposure.

The Group's capital ratio stands at 18.1%, of which the Tier 1 capital ratio represents 16.0% compared with 19.2% and 17.4% respectively at year-end 2016. The Common Equity Tier 1 capital ratio stands at 15.5% (31 December 2016: 16.1%).

The development in the Group's capital ratio from 31 December 2016 to 30 September 2017 is illustrated below.

Capital ratio in Q1-Q3



Profit for the period is not included in the calculation of capital ratios at 30 September 2017. If 50% of profit for the period after tax had been recognised the capital ratios would have been 1.0 percentage points higher.

At 30 September 2017 the individual solvency need represents 10.5%, equal to the level at year-end 2016.

The parent's capital ratio stands at 17.5%, of which the Tier 1 capital ratio represents 15.5% compared with 18.7% and 16.8% respectively at year-end

2016. The Common Equity Tier 1 capital ratio stands at 15.0% (31 December 2016: 15.6%).

Capital requirements

The Group's capital management is anchored in the Internal Capital Adequacy Assessment Process (ICAAP), a review conducted to identify risks and determine the individual solvency need.

At end-September 2017 the individual solvency need represented 10.5%. The solvency need consists of a minimum capital requirement of 8% under Pillar I and a capital add-on under Pillar II. Approximately 56% of the solvency need must be covered by Common Equity Tier 1 capital, equal to 5.6% of the risk exposure amount.

In addition to the solvency need the Group must meet a combined buffer requirement of 1.9% at 30 September 2017. When fully loaded the combined buffer requirement will represent 3.5% bringing the fully loaded CET1 capital ratio requirement to 9.4%.

Capital and solvency and capital requirements (% of REA)	30 Sep 2017	Fully loaded*
Capital and solvency		
Common Equity Tier 1 capital ratio	15.5	15.5
Capital ratio	18.1	18.1
Capital requirements (incl buffers)**		
Total capital requirement	12.4	14.0
CET1 capital requirement	7.8	9.4
-of which countercyclical capital buffer	0.0	0.0
-of which capital conservation buffer	1.3	2.5
-of which SIFI buffer	0.6	1.0
Excess capital		
Common Equity Tier 1 capital	7.7	6.1
Total capital	5.7	4.1

* Based on fully loaded CRR/CRD IV rules and requirements.

** The total capital requirement consists of an individual solvency need and a combined buffer requirement. The fully loaded countercyclical capital buffer is based on the national buffer rate as at 30 September 2017.

Market risk

At 30 September 2017 the Group's interest rate risk represents DKK 151m. The Group's exchange rate risk continues to be very low and its equity position modest.

Funding and liquidity

The Group's liquidity – measured under the 10% statutory requirement – constitutes 32.4% at 30 September 2017 against 28.6% at 31 December 2016.

The guidelines for calculating the Liquidity Coverage Ratio – LCR – specify a run-off of exposures, while taking into account counterparties, funding size, hedging and duration. Consequently the most stable deposits are favoured relative to large deposits, in particular large deposits from business enterprises and financial counterparties.

As a SIFI in Denmark, Sydbank must meet the LCR in full. The Group's LCR constituted 212% at 30 September 2017 (31 December 2016: 166%).

LCR (DKKbn)	30 Sep 2017	31 Dec 2016	30 Sep 2016
Total liquidity buffer	28.2	28.0	27.5
Net cash outflows	13.3	16.9	18.1
LCR (%)	212	166	152

The Group met the LCR requirement – of 100% – throughout the period and as can be seen, its excess cover is significant at 30 September 2017.

Funding ratio (DKKbn)	30 Sep 2017	31 Dec 2016	30 Sep 2016
Shareholders' equity and subordinated capital	13.1	13.9	14.1
Senior loans with maturities over 1 year	-	3.7	3.7
Stable deposits	75.7	74.0	74.3
Total stable funding	88.7	91.6	92.1
Loans and advances (excl reverse and mortgage-like loans funded via external counterparties)	66.8	71.9	73.6
Funding ratio (%)	133	127	125

As shown above the Group's stable funding exceeds the Group's loans and advances by DKK 21.9bn at 30 September 2017 (31 December 2016: DKK 19.7bn).

Joint funding

The Bank's agreement on joint funding with Totalcredit was changed effective 1 January 2017. The agreement was changed from an offsetting model according to which the Bank covers losses as regards the entire loan to a guarantee model according to which the Bank provides a guarantee for the part of the loan in the LTV range of 60-80%. The Group no longer has a credit risk as regards the part of the loan in the LTV range of 0-60%. As a consequence of the amendment of the agreement, funded mortgage-like loans are no longer recognised in the Group's balance sheet.

At 30 September 2017 funded mortgage-like loans amount to DKK 8.4bn (31 December 2016: DKK 5.3bn). Had the agreement been effective as of 31 December 2016, bank loans and advances would have been recognised at DKK 5.3bn less at this date and instead the Bank would have registered guarantees for DKK 1.2bn as regards the guarantees in the range of 60-80%. At 1 October 2017 funded mortgage-like loans represent DKK 10.4bn.

Rating

Moody's most recent rating of Sydbank:

- Outlook: Positive
- Long-term deposit: A3
- Senior unsecured: Baa1
- Short-term deposit: P-2

Supervisory Diamond

The Supervisory Diamond sets up a number of benchmarks to indicate banking activities that initially should be regarded as involving a higher risk. Any breach of the Supervisory Diamond is subject to reactions by the Danish FSA. Sydbank A/S complies with all the benchmarks of the Supervisory Diamond.

Supervisory Diamond	30 Sep 2017	31 Dec 2016	30 Sep 2016
Sum of large exposures < 125%	11	0	35
Lending growth < 20% annually	(14)	4	5
Commercial property exposure < 25%	9	9	8
Funding ratio < 1	0.72	0.80	0.82
Excess cover relative to statutory liquidity requirements > 50%	224	186	209

Bank Recovery and Resolution Directive

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 (MREL). The Danish FSA has been authorised to set the requirement for Sydbank.

Uncertainty continues to surround the deadline for compliance with the minimum requirement. The final minimum requirement may affect the Group's capital and funding structure.

The general resolution principle for SIFIs is that it should be possible to restructure them and send them back to the market with adequate capitalisation to ensure market confidence. In accordance with this principle the MREL for SIFIs is expected to be set at two times the total capital requirement. It is expected that the MREL will have to be met with convertible instruments ("contractual bail-in").

Over the coming months the Danish FSA will have discussions with the industry on phase-in and the specific requirements regarding capital that can be used to comply with the MREL. The discussions will take into consideration international developments in the area.

The Danish FSA expects to approve resolution plans and set individual MRELs for SIFIs before the end of 2017.

Moreover a resolution fund is under establishment. 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 Group's contribution to the resolution fund for 2017 represents DKK 17m.

Leverage ratio

The CRR/CRD IV rules require credit institutions to calculate, report, monitor and disclose their leverage ratio, which is defined as Tier 1 capital as a percentage of total exposure.

The Group's leverage ratio stood at 6.7% at 30 September 2017 (year-end 2016: 7.0%) taking into account the transitional rules. Assuming fully loaded Tier 1 capital under CRR/CRD IV without any refinancing of non-eligible Additional Tier 1 capital, the leverage ratio would be 6.5% (year-end 2016: 6.5%).

IFRS 9

With IFRS 9, coming into force on 1 January 2018, a new impairment model will be implemented according to which impairment charges must be recognised for all loans and advances and guarantees on the basis of expected losses. Under the existing rules impairment charges are recognised only when there is objective evidence of impairment.

Under IFRS 9 exposures are divided into three groups for calculating impairment and classification into different stages (1, 2 or 3), depending on the risk of credit loss. The staging assessment and the calculation of expected loss will to a large extent be based on the Group's existing rating models and credit management.

Model development to calculate impairment charges in accordance with IFRS 9 is progressing to plan.

Based on current expectations of the Danish FSA's national guidelines concerning impairment charges in accordance with IFRS 9 it is expected that impairment charges will increase by around DKK 200-400m based on the portfolio at 30 September 2017.

However as model development is not yet fully completed the impact remains subject to some uncertainty.

In general the projected increase in the Group's impairment charges will reduce the Group's shareholders' equity and will consequently have a corresponding negative impact on capital resources. To counter an unintended impact on capital resources and hence banks' possibilities of supporting lending, a transitional arrangement is expected so that an adverse impact from the new impairment model will be phased in over a number of years. It is expected that the transitional rules will be

adopted by the end of 2017 with effect from 1 January 2018.

Basel IV

The Basel Committee on Banking Supervision (BCBS) is currently reviewing the requirements for calculating the risk exposure amount (REA). This review is also known as Basel IV. Among other things, Basel IV proposes to constrain the use of internal models and introduce a permanent floor for the risk exposure amount. The new requirements are expected to be released at the end of 2017 after which the EU implementation process will begin. The Group is following developments closely but the extent of the final regulatory changes and the timeline for implementation are currently unknown.

Focus on agriculture

In September 2017 SEGES published a forecast for earnings in the agricultural sector in 2017 and 2018.

According to the SEGES report, the total operating profit after owners' wages etc of full-time farms is expected to rise from a loss of DKK 1.6bn in 2016 to a profit of DKK 5.0bn in 2017.

In the first 10 months of the year milk producers received an average settlement price of DKK 2.75 per kg conventional milk. The current settlement price is DKK 2.95 per kg milk. SEGES projects that the average settlement price will represent approx DKK 2.80 per kg milk in 2018.

The current settlement price for pig producers is DKK 10.00 per kg before supplementary payments. In the first 10 months of the year the average quotation was DKK 10.69 per kg before supplementary payments. Most pig producers have a breakeven price of approximately DKK 9.50 per kg before supplementary payments. SEGES projects that the average quotation for pork will decline to DKK 9.88 per kg in 2018.

According to SEGES the rise in prices is attributable in particular to strong demand from China and other Asian countries as well as a decline in agricultural production in several countries. In 2017 the situation for the agricultural sector has improved considerably compared to 2016. This is the case in particular for milk producers but also pig producers are experiencing a positive trend.

SEGES's forecast for crop producers shows expectations of balanced earnings after owners' wages in 2017. In 2016 crop producers recorded unsatisfactory yields. In 2017 crop yields were satisfactory. Given unchanged prices – compared to 2016 – a balance in earnings is therefore expected in 2017.

SEGES projects the following development in the average operating profit of full-time farms – after owners' wages:

Projected operating profit (DKK '000)	2016	2017	2018
Milk producers	(447)	738	757
Pig producers	349	1,346	224
Crop producers	(192)	3	(15)

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

Impaired bank loans and advances to agriculture fell by DKK 218m to DKK 1,103m in Q1-Q3 2017, equal to a decline of 4.2% in loans and advances.

Of total loans and advances to agriculture, an impairment charge of 14.2% was recorded at 30 September 2017 against 15.9% at 31 December 2016.

However the current positive trend still does not change the fact that the agricultural sector overall has too large debts and is consequently very vulnerable to developments in settlement prices and interest rates.

In Q1-Q3 2017 individual impairment charges of DKK 17m were recorded on agricultural exposures. Individual impairment charges during the quarter were as expected. The collective impairment charge of DKK 150m made in 2016 was unchanged at the end of Q3 2017.

	Pig farming	Cattle farming	Crop production	Other agriculture	Total loans and advances
30 Sep 2017 (DKKm)					
Bank loans and advances before impairment charges	1,329	1,164	1,240	1,040	4,773
Individual impairment charges	124	220	74	111	529
Previous events	25	100	-	25	150
Bank loans and advances after impairment charges	1,180	844	1,166	904	4,094
Impaired bank loans and advances	294	421	197	191	1,103
Impaired as % of bank loans and advances	22.1	36.2	15.9	18.4	23.1
Impairment as % of impaired bank loans and advances	42.2	52.3	37.6	58.1	48.0
Impairment as % of bank loans and advances	11.2	27.5	6.0	13.1	14.2
31 Dec 2016 (DKKm)					
Bank loans and advances before impairment charges	1,428	1,364	1,220	1,126	5,138
Individual impairment charges	167	321	83	95	666
Previous events	25	100	-	25	150
Bank loans and advances after impairment charges	1,236	943	1,137	1,006	4,322
Impaired bank loans and advances	374	561	209	177	1,321
Impaired as % of bank loans and advances	26.2	41.1	17.1	15.7	25.7
Impairment as % of impaired bank loans and advances	44.7	57.2	39.7	53.7	50.4
Impairment as % of bank loans and advances	13.4	30.9	6.8	10.7	15.9

Income Statement

DKKm	Note	Q1-Q3 2017	Q1-Q3 2016	Q3 2017	Q3 2016
Interest income	2	1,655	2,046	526	673
Interest expense	3	144	223	46	75
Net interest income		1,511	1,823	480	598
Dividends on shares		31	43	4	4
Fee and commission income	4	1,516	1,384	521	471
Fee and commission expense		175	238	59	90
Net interest and fee income		2,883	3,012	946	983
Market value adjustments	5	629	358	139	149
Other operating income		15	24	5	10
Staff costs and administrative expenses	6	1,928	1,884	607	588
Amortisation/depreciation and impairment of intangible assets and property, plant and equipment		72	74	24	25
Other operating expenses	8	20	15	5	6
Impairment of loans and advances etc	9	(33)	114	(41)	30
Profit on holdings in associates and subsidiaries	10	4	2	2	1
Profit before tax		1,544	1,309	497	494
Tax	11	340	281	109	109
Profit for the period		1,204	1,028	388	385
EPS Basic (DKK) *		17.5	14.6	5.7	5.5
EPS Diluted (DKK) *		17.5	14.6	5.7	5.5
Dividend per share (DKK)		-	-	-	-

* Calculated on the basis of average number of shares outstanding, see page 19.

Statement of Comprehensive Income

Profit for the period	1,204	1,028	388	385
Other comprehensive income				
Items that may be reclassified to the income statement:				
Translation of foreign entities	(16)	(2)	(12)	0
Hedge of net investment in foreign entities	16	2	12	0
Property revaluation	(3)	-	-	-
Other comprehensive income after tax	(3)	0	0	0
Comprehensive income for the period	1,201	1,028	388	385

Balance Sheet

DKKm	Note	30 Sep 2017	31 Dec 2016	30 Sep 2016
Assets				
Cash and balances on demand at central banks		2,085	2,047	2,036
Amounts owed by credit institutions and central banks	12	5,635	6,981	3,796
Loans and advances at fair value		5,929	6,092	6,873
Loans and advances at amortised cost		66,807	77,191	78,072
Bonds at fair value		22,162	26,331	26,365
Shares etc		2,104	1,838	1,802
Holdings in associates etc		167	162	162
Assets related to pooled plans		16,033	13,817	13,285
Intangible assets		286	303	308
Land and buildings – owner-occupied property		1,046	986	988
Other property, plant and equipment		64	69	54
Current tax assets		19	11	128
Deferred tax assets		56	57	83
Assets in temporary possession		1	2	3
Other assets	13	9,396	10,742	12,206
Prepayments		66	57	63
Total assets		131,856	146,686	146,224
Shareholders' equity and liabilities				
Amounts owed to credit institutions and central banks	14	3,213	17,556	17,402
Deposits and other debt	15	80,758	81,109	78,567
Deposits in pooled plans		16,040	13,825	13,293
Bonds issued at amortised cost		3,720	3,714	7,134
Current tax liabilities		137	38	0
Other liabilities	16	14,518	16,187	15,967
Deferred income		6	3	6
Total liabilities		118,392	132,432	132,369
Provisions	17	397	373	346
Subordinated capital	18	1,298	2,124	2,128
Shareholders' equity:				
Share capital		704	722	722
Revaluation reserves		79	82	79
Other reserves:				
Reserves according to articles of association		425	425	425
Other reserves		13	13	13
Retained earnings		10,548	9,769	10,142
Proposed dividend etc		-	746	-
Total shareholders' equity		11,769	11,757	11,381
Total shareholders' equity and liabilities		131,856	146,686	146,224

Financial Highlights – Quarterly

	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Income statement (DKK m)							
Core income	1,036	1,040	1,053	1,067	1,030	1,051	1,050
Trading income	58	46	93	49	65	69	54
Total income	1,094	1,086	1,146	1,116	1,095	1,120	1,104
Costs, core earnings	623	678	691	632	612	665	681
Core earnings before impairment	471	408	455	484	483	455	423
Impairment of loans and advances etc	(29)	(20)	11	(27)	33	43	38
Core earnings	500	428	444	511	450	412	385
Investment portfolio earnings	8	51	136	63	49	14	(22)
Profit before non-recurring items	508	479	580	574	499	426	363
Non-recurring items, net	(11)	(6)	(6)	(14)	(5)	26	-
Profit before tax	497	473	574	560	494	452	363
Tax	109	104	127	116	109	92	80
Profit for the period	388	369	447	444	385	360	283
Balance sheet highlights (DKK bn)							
Loans and advances at amortised cost	66.8	70.6	71.9	77.2	78.1	78.8	76.2
Loans and advances at fair value	5.9	7.4	7.1	6.1	6.9	6.8	7.9
Deposits and other debt	80.8	84.7	80.9	81.1	78.6	79.9	76.8
Bonds issued at amortised cost	3.7	3.7	3.7	3.7	7.1	7.1	3.7
Subordinated capital	1.3	1.3	2.1	2.1	2.1	2.1	2.1
Shareholders' equity	11.8	11.5	11.4	11.8	11.4	11.1	10.9
Total assets	131.9	140.1	137.6	146.7	146.2	148.0	145.1
Financial ratios per share (DKK per share of DKK 10)							
EPS Basic	5.7	5.4	6.4	6.4	5.5	5.1	4.0
EPS Diluted	5.7	5.4	6.4	6.4	5.5	5.1	4.0
Share price at end of period	261.3	245.4	241.7	219.2	201.4	167.2	187.7
Book value	174.0	169.0	164.7	169.2	163.0	157.6	152.8
Share price/book value	1.50	1.45	1.47	1.30	1.24	1.06	1.23
Average number of shares outstanding (in millions)	68.0	68.8	69.5	69.7	69.9	70.7	71.3
Dividend per share	-	-	-	10.46	-	-	-
Other financial ratios and key figures							
Common Equity Tier 1 capital ratio	15.5	15.6	15.6	16.1	14.9	14.8	14.4
Tier 1 capital ratio	16.0	16.1	16.0	17.4	16.2	16.1	15.7
Capital ratio	18.1	18.1	18.1	19.2	18.0	18.0	17.5
Pre-tax profit as % p.a. of average shareholders' equity	17.1	16.5	19.8	19.4	17.6	16.5	13.0
Post-tax profit as % p.a. of average shareholders' equity	13.3	12.8	15.5	15.3	13.7	13.2	10.1
Costs (core earnings) as % of total income	56.9	62.4	60.3	58.4	55.9	59.4	61.7
Return on assets (%)	0.3	0.3	0.3	0.3	0.3	0.2	0.2
Interest rate risk	1.6	0.7	0.7	1.6	0.6	0.6	1.4
Foreign exchange position	2.4	3.9	4.1	2.2	1.4	2.1	1.7
Foreign exchange risk	0.0	0.1	0.1	0.0	0.0	0.0	0.0
Loans and advances relative to deposits *	0.7	0.7	0.8	0.8	0.8	0.9	0.9
Loans and advances relative to shareholders' equity *	5.7	6.1	6.3	6.6	6.9	7.1	7.0
Growth in loans and advances for the period *	(5.3)	(1.8)	(6.9)	3.9	(1.0)	3.5	2.6
Excess cover relative to statutory liquidity requirements	223.9	242.0	213.2	186.5	209.5	192.7	147.3
Total large exposures	11.2	20.7	10.3	0.0	35.2	0.0	10.6
Accumulated impairment ratio	3.4	3.6	3.7	3.6	4.2	4.2	4.5
Impairment ratio for the period	(0.03)	(0.02)	0.01	(0.03)	0.03	0.05	0.04
Number of full-time staff at end of period	2,069	2,092	2,062	2,037	2,048	2,032	2,027

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

Financial Highlights – Q1-Q3

	Q1-Q3 2017	Q1-Q3 2016	Q1-Q3 2015	Q1-Q3 2014	Q1-Q3 2013
Income statement (DKK m)					
Core income	3,129	3,131	3,289	3,225	3,047
Trading income	197	188	167	205	192
Total income	3,326	3,319	3,456	3,430	3,239
Costs, core earnings	1,992	1,958	2,009	1,986	1,914
Core earnings before impairment	1,334	1,361	1,447	1,444	1,325
Impairment of loans and advances etc	(38)	114	272	559	973
Core earnings	1,372	1,247	1,175	885	352
Investment portfolio earnings	195	41	(87)	81	277
Profit before non-recurring items	1,567	1,288	1,088	966	629
Non-recurring items, net	(23)	21	-	84	(13)
Profit before tax	1,544	1,309	1,088	1,050	616
Tax	340	281	256	222	147
Profit for the period	1,204	1,028	832	828	469

Balance sheet highlights (DKK bn)

Loans and advances at amortised cost	66.8	78.1	72.4	68.0	67.4
Loans and advances at fair value	5.9	6.9	6.6	5.1	4.6
Deposits and other debt	80.8	78.6	76.9	73.0	68.1
Bonds issued at amortised cost	3.7	7.1	3.7	3.7	3.8
Subordinated capital	1.3	2.1	2.1	1.4	1.4
Shareholders' equity	11.8	11.4	11.2	11.1	10.6
Total assets	131.9	146.2	140.9	148.2	144.5

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

EPS Basic	17.5	14.6	11.4	11.3	6.4
EPS Diluted	17.5	14.6	11.4	11.3	6.4
Share price at end of period	261.3	201.4	253.9	179.6	143.8
Book value	174.0	163.0	156.3	151.0	143.8
Share price/book value	1.50	1.24	1.62	1.19	1.00
Average number of shares outstanding (in millions)	68.7	70.6	72.8	73.3	73.3
Dividend per share	-	-	-	-	-

Other financial ratios and key figures

Common Equity Tier 1 capital ratio	15.5	14.9	14.4	14.8	14.8
Tier 1 capital ratio	16.0	16.2	15.9	16.4	16.5
Capital ratio	18.1	18.0	17.6	17.0	16.9
Pre-tax profit as % p.a. of average shareholders' equity	17.8	15.7	13.0	13.0	7.9
Post-tax profit as % p.a. of average shareholders' equity	13.9	12.3	10.0	10.2	6.0
Costs (core earnings) as % of total income	59.9	59.0	58.1	57.9	59.1
Return on assets (%)	0.9	0.7	0.6	0.6	0.3
Interest rate risk	1.6	0.6	2.0	0.5	0.0
Foreign exchange position	2.4	1.4	1.3	4.5	2.9
Foreign exchange risk	0.0	0.0	0.0	0.0	0.1
Loans and advances relative to deposits *	0.7	0.8	0.8	0.8	0.9
Loans and advances relative to shareholders' equity *	5.7	6.9	6.5	6.1	6.4
Growth in loans and advances for the period *	(13.5)	5.1	5.8	2.1	(1.1)
Excess cover relative to statutory liquidity requirements	223.9	209.5	186.2	177.3	200.3
Total large exposures	11.2	35.2	10.2	37.9	22.2
Accumulated impairment ratio	3.4	4.2	4.9	5.4	4.4
Impairment ratio for the period	(0.05)	0.12	0.31	0.68	1.24
Number of full-time staff at end of period	2,069	2,048	2,113	2,142	2,078

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

Capital

DKKm	Share capital	Revaluation 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 2017	722	82	425	13	9,769	746	11,757
Profit for the period	-	-	-	-	1,204	-	1,204
Other comprehensive income							
Translation of foreign entities	-	-	-	-	(16)	-	(16)
Hedge of net investment in foreign entities	-	-	-	-	16	-	16
Property revaluation	-	(3)	-	-	-	-	(3)
Total other comprehensive income	-	(3)	-	-	-	-	(3)
Comprehensive income for the period	-	(3)	-	-	1,204	-	1,201
Transactions with owners							
Purchase of own shares	-	-	-	-	(1,345)	-	(1,345)
Sale of own shares	-	-	-	-	1,303	-	1,303
Reduction of share capital	(18)	-	-	-	(394)	-	(412)
Dividend etc paid	-	-	-	-	-	(746)	(746)
Dividend, own shares	-	-	-	-	11	-	11
Total transactions with owners	(18)	-	-	-	(425)	(746)	(1,189)
Shareholders' equity at 30 Sep 2017	704	79	425	13	10,548	-	11,769
Shareholders' equity at 1 Jan 2016	742	79	425	13	9,355	813	11,427
Profit for the period	-	-	-	-	1,028	-	1,028
Other comprehensive income							
Translation of foreign entities	-	-	-	-	(2)	-	(2)
Hedge of net investment in foreign entities	-	-	-	-	2	-	2
Property revaluation	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-	-
Comprehensive income for the period	-	-	-	-	1,028	-	1,028
Transactions with owners							
Purchase of own shares	-	-	-	-	(1,092)	-	(1,092)
Sale of own shares	-	-	-	-	1,266	-	1,266
Reduction of share capital	(20)	-	-	-	(425)	-	(445)
Dividend etc paid	-	-	-	-	-	(813)	(813)
Dividend, own shares	-	-	-	-	10	-	10
Total transactions with owners	(20)	-	-	-	(241)	(813)	(1,074)
Shareholders' equity at 30 Sep 2016	722	79	425	13	10,142	-	11,381

* Reserves according to the articles of association equal the undistributable savings bank reserve in accordance with Article 4 of the Articles of Association.

The Sydbank share	30 Sep 2017	Full year 2016	30 Sep 2016
Share capital (DKK)	703,611,740	722,401,990	722,401,990
Shares issued (number)	70,361,174	72,240,199	72,240,199
Shares outstanding at end of period (number)	67,656,886	69,501,452	69,829,269
Average number of shares outstanding (number)	68,745,068	70,392,671	70,630,631

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

Capital

DKK ^m	30 Sep 2017	31 Dec 2016	30 Sep 2016
Solvency			
Common Equity Tier 1 capital ratio	15.5	16.1	14.9
Tier 1 capital ratio	16.0	17.4	16.2
Capital ratio	18.1	19.2	18.0
Total capital			
Shareholders' equity	11,769	11,757	11,381
Expected maximum dividend based on dividend policy	(1,204)	-	(514)
Prudent valuation	(50)	(65)	(64)
Actual or contingent obligations to purchase own shares	(196)	-	(70)
Proposed dividend	-	(746)	-
Intangible assets and capitalised deferred tax assets	(284)	(299)	(334)
Significant investments in financial sector	(706)	(434)	(433)
Common Equity Tier 1 capital	9,329	10,213	9,966
Additional Tier 1 capital	279	831	833
Tier 1 capital	9,608	11,044	10,799
Tier 2 capital	1,019	961	963
Difference between expected losses and accounting impairment charges	225	237	252
Total capital	10,852	12,242	12,014
Credit risk*	40,195	41,683	44,550
Market risk	6,403	8,075	8,213
Operational risk	8,025	8,025	8,173
Other exposures incl CVA	5,470	5,824	5,738
Risk exposure amount	60,093	63,607	66,674
Pillar 1 capital requirement	4,807	5,089	5,334
* Credit risk			
Corporate clients, IRB	29,148	30,306	32,066
Retail clients, IRB	8,410	9,200	9,676
Corporate clients, STD	484	605	657
Retail clients, STD	725	648	629
Credit institutions etc	1,428	924	1,522
Total	40,195	41,683	44,550

Cash Flow Statement

DKKm	Q1-Q3 2017	Full year 2016	Q1-Q3 2016
Operating activities			
Pre-tax profit for the period	1,544	1,869	1,309
Taxes paid	(251)	(245)	(218)
Adjustment for non-cash operating items	67	291	212
Cash flows from working capital	(799)	2,390	(1,774)
Cash flows from operating activities	561	4,305	(471)
Investing activities			
Purchase and sale of holdings in associates	(9)	1	3
Purchase and sale of intangible assets and property, plant and equipment	(110)	(69)	(21)
Cash flows from investing activities	(119)	(68)	(18)
Financing activities			
Purchase and sale of own holdings	(454)	(342)	(271)
Dividends etc	(735)	(803)	(803)
Raising of subordinated capital	(826)	(6)	(2)
Issue of bonds	6	(13)	3,408
Cash flows from financing activities	(2,009)	(1,164)	2,332
Cash flows for the period	(1,567)	3,073	1,843
Cash and cash equivalents at 1 Jan	7,561	4,488	4,488
Cash flows for the period	(1,567)	3,073	1,843
Cash and cash equivalents at end of period	5,994	7,561	6,331

Segment Reporting etc

DKKkm	Banking	Asset Management	Sydbank Markets	Treasury	Other	Total
Operating segments – Q1-Q3 2017						
Core income	2,870	188	71	-	-	3,129
Trading income	-	-	197	-	-	197
Total income	2,870	188	268	-	-	3,326
Costs, core earnings	1,817	60	69	-	46	1,992
Impairment of loans and advances etc	(38)	-	-	-	-	(38)
Core earnings	1,091	128	199	-	(46)	1,372
Investment portfolio earnings	23	-	-	172	-	195
Profit before non-recurring items	1,114	128	199	172	(46)	1,567
Non-recurring items, net	(23)	-	-	-	-	(23)
Profit before tax	1,091	128	199	172	(46)	1,544

DKKkm	Banking	Asset Management	Sydbank Markets	Treasury	Other	Total
Operating segments – Q1-Q3 2016						
Core income	2,918	143	70	-	-	3,131
Trading income	-	-	188	-	-	188
Total income	2,918	143	258	-	-	3,319
Costs, core earnings	1,786	53	74	-	45	1,958
Impairment of loans and advances etc	114	-	-	-	-	114
Core earnings	1,018	90	184	-	(45)	1,247
Investment portfolio earnings	4	-	-	37	-	41
Profit before non-recurring items	1,022	90	184	37	(45)	1,288
Non-recurring items, net	(10)	-	-	-	31	21
Profit before tax	1,012	90	184	37	(14)	1,309

Segment Reporting etc

DKKm	Core income	Trading income	Costs (core earnings)	Impairment of loans and advances etc	Core earnings	Investment portfolio earnings	Non-recurring items, net	Profit before tax
Correlation between performance measures and the income statement according to IFRS								
2017								
Net interest and fee income	2,833	26			2,859	24		2,883
Market value adjustments	277	171		5	453	176		629
Other operating income	15				15			15
Income	3,125	197	-	5	3,327	200	-	3,527
Staff costs and administrative expenses			(1,900)		(1,900)	(5)	(23)	(1,928)
Amortisation/depreciation and impairment of intangible assets and property, plant and equipment			(72)		(72)			(72)
Other operating expenses			(20)		(20)			(20)
Impairment of loans and advances etc				33	33			33
Profit on holdings in associates and subsidiaries	4				4			4
Profit before tax	3,129	197	(1,992)	38	1,372	195	(23)	1,544
2016								
Income	3,129	188			3,317	46	31	3,394
Staff costs and administrative expenses			(1,869)		(1,869)	(5)	(10)	(1,884)
Amortisation/depreciation and impairment of intangible assets and property, plant and equipment			(74)		(74)			(74)
Other operating expenses			(15)		(15)			(15)
Impairment of loans and advances etc				(114)	(114)			(114)
Profit on holdings in associates and subsidiaries	2				2			2
Profit before tax	3,131	188	(1,958)	(114)	1,247	41	21	1,309

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 2016 Annual Report, to which reference is made.

The 2016 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 2016.

The Group’s significant risks and the external elements which may affect the Group are described in greater detail in the 2016 Annual Report.

Notes

DKK ^m	Q1-Q3 2017	Q1-Q3 2016	Q3 2017	Q3 2016
Note 2				
Interest income				
Reverse transactions with credit institutions and central banks	(7)	(6)	(2)	(3)
Amounts owed by credit institutions and central banks	(21)	(9)	(9)	(2)
Reverse loans and advances	(22)	(18)	(7)	(6)
Loans and advances and other amounts owed	1,662	1,949	534	645
Bonds	123	226	33	70
Derivatives	(81)	(98)	(23)	(31)
comprising:				
Foreign exchange contracts	51	54	15	14
Interest rate contracts	(132)	(152)	(38)	(45)
Other interest income	1	2	0	0
Total	1,655	2,046	526	673

Note 3

Interest expense

Repo transactions with credit institutions and central banks	(9)	(28)	(1)	(6)
Credit institutions and central banks	17	27	3	9
Repo deposits	(9)	(4)	(2)	(1)
Deposits and other debt	115	151	38	46
Bonds issued	8	50	3	19
Subordinated capital	20	26	5	8
Other interest expense	2	1	0	0
Total	144	223	46	75

Note 4

Fee and commission income

Securities trading and custody accounts	755	727	241	246
Payment services	228	231	81	84
Loan fees	109	89	41	32
Guarantee commission	106	89	37	25
Other fees and commission	318	248	121	84
Total	1,516	1,384	521	471

Notes

DKKm	Q1-Q3 2017	Q1-Q3 2016	Q3 2017	Q3 2016
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Note 5

Market value adjustments

Other loans and advances and amounts owed at fair value	1	1	0	0
Bonds	196	393	85	97
Shares etc	150	131	52	44
Investment property	-	0	-	0
Foreign exchange	129	140	43	40
Derivatives	155	(307)	(40)	(30)
Assets related to pooled plans	451	486	219	354
Deposits in pooled plans	(453)	(486)	(220)	(356)
Other assets/liabilities	0	0	0	0
Total	629	358	139	149

Note 6

Staff costs and administrative expenses

Salaries and remuneration:

Group Executive Management	12	11	4	3
Board of Directors	4	4	1	1
Shareholders' Committee	3	3	1	2
Total	19	18	6	6

Staff costs:

Wages and salaries	903	882	274	271
Pensions	93	93	31	33
Social security contributions	11	11	3	3
Payroll tax	121	111	39	36
Total	1,128	1,097	347	343

Other administrative expenses:

IT	437	444	148	160
Rent etc	83	85	28	29
Marketing and entertainment expenses	52	47	13	13
Other costs	209	193	65	37
Total	781	769	254	239
Total	1,928	1,884	607	588

Note 7

Staff

Average number of staff (full-time equivalent)	2,106	2,074	2,106	2,084
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Notes

DKKm	Q1-Q3 2017	Q1-Q3 2016	Q3 2017	Q3 2016
Note 8				
Other operating expenses				
Contribution to the Resolution Fund	14	14	5	5
Other expenses	6	1	0	1
Total	20	15	5	6
Note 9				
Impairment of loans and advances recognised in the income statement				
Impairment and provisions	(23)	127	(48)	73
Write-offs	84	114	44	31
Recovered from debt previously written off	94	127	37	74
Impairment of loans and advances etc	(33)	114	(41)	30
Impairment and provisions at end of period (allowance account)				
Individual impairment and provisions	2,619	3,618	2,619	3,618
Collective impairment and provisions	359	324	359	324
Impairment and provisions at end of period	2,978	3,942	2,978	3,942
Individual impairment of loans and advances and provisions for guarantees				
Impairment and provisions at 1 Jan	2,904	3,687	2,727	3,589
Exchange rate adjustment	0	0	0	0
New individual impairment charges	843	1,219	143	342
Reversal of individual impairment charges	706	788	116	202
Impairment charges previously recorded, now finally written off	422	500	135	111
Impairment and provisions at end of period	2,619	3,618	2,619	3,618
Individual impairment of loans and advances	2,415	3,426	2,415	3,426
Individual provisions for unused credit facilities	48	64	48	64
Individual provisions for guarantees	156	128	156	128
Impairment and provisions at end of period	2,619	3,618	2,619	3,618
Collective impairment of loans and advances and provisions for guarantees				
Impairment and provisions at 1 Jan	385	495	381	350
Impairment and provisions during the period	(26)	(171)	(22)	(26)
Impairment and provisions at end of period	359	324	359	324
Sum of loans and advances and amounts owed subject to collective impairment and provisions	6,292	6,744	6,292	6,744
Collective impairment and provisions	359	324	359	324
Loans and advances and amounts owed after collective impairment and provisions	5,933	6,420	5,933	6,420
Individual impairment of loans and advances subject to objective evidence of impairment				
Balance before impairment of individually impaired loans and advances	4,394	5,949	4,394	5,949
Impairment of individually impaired loans and advances	2,415	3,490	2,415	3,490
Balance after impairment of individually impaired loans and advances	1,979	2,459	1,979	2,459
Interest recognised as income concerning individually and collectively impaired loans and advances	262	444	87	147

Notes

Industry	Loans/advances and guarantees		Impairment charges and provisions		Impairment of loans and advances etc for the period		Loss for the period	
	30 Sep 2017	31 Dec 2016	30 Sep 2017	31 Dec 2016	Q1-Q3 2017	Q1-Q3 2016	Q1-Q3 2017	Q1-Q3 2016
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	5,471	5,737	574	704	17	310	174	197
<i>Pig farming</i>	1,459	1,571	127	177	2	98	56	15
<i>Cattle farming</i>	1,500	1,566	252	345	(9)	158	86	153
<i>Crop production</i>	1,383	1,356	82	86	4	19	12	11
<i>Other agriculture</i>	1,129	1,244	113	96	20	35	20	18
Manufacturing and extraction of raw materials	8,841	8,249	235	225	21	(1)	46	23
Energy supply etc	2,355	2,765	15	10	3	7	4	31
Building and construction	4,373	3,831	126	79	27	0	17	28
Trade	13,300	12,516	240	316	10	4	112	84
Transportation, hotels and restaurants	3,540	3,659	114	137	(11)	43	12	2
Information and communication	523	396	12	15	(2)	1	2	1
Finance and insurance	4,943	5,740	124	134	(13)	(19)	10	32
Real property	6,230	6,981	307	342	(28)	(36)	40	99
<i>Leasing of commercial property</i>	3,154	3,623	185	189	(10)	(17)	8	21
<i>Leasing of residential property</i>	978	1,025	82	97	(4)	(15)	26	13
<i>Housing associations and cooperative housing associations</i>	1,353	1,591	0	0	0	0	0	0
<i>Purchase, development and sale on own account</i>	561	599	31	37	(9)	10	2	64
<i>Other related to real property</i>	184	143	9	19	(5)	(14)	4	1
Other corporate lending	3,805	4,080	173	165	14	12	26	31
Total corporate lending	53,381	53,954	1,920	2,127	38	321	443	528
Public authorities	356	785	-	-	-	-	-	-
Retail clients	28,344	37,000	699	777	(45)	(36)	63	86
Collective impairment charges			359	385	(26)	(171)		
Total	82,081	91,739	2,978	3,289	(33)	114	506	614

Notes

DKKm	Q1-Q3 2017	Q1-Q3 2016	Q3 2017	Q3 2016
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Note 10

Profit on holdings in associates and subsidiaries

Profit on holdings in associates etc	4	2	2	1
Total	4	2	2	1

Note 11

Effective tax rate

Current tax rate of Sydbank	22.0	22.0	22.0	22.0
Permanent differences *	-	(0.6)	-	-
Adjustment of prior year tax charges	-	0.1	-	0.1
Effective tax rate	22.0	21.5	22.0	22.1

* Permanent differences predominantly consist of a capital gain of DKK 31m concerning the adjustment of the purchase sum from the sale of the shares in Nets Holding in 2014.

DKKm	30 Sep 2017	31 Dec 2016	30 Sep 2016
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Note 12

Amounts owed by credit institutions and central banks

Amounts owed at notice by central banks	1,960	4,316	64
Amounts owed by credit institutions	3,675	2,665	3,732
Total	5,635	6,981	3,796
Of which reverse transactions	1,719	1,652	1,785

Note 13

Other assets

Positive market value of derivatives etc	5,780	7,289	8,463
Sundry debtors	968	440	442
Interest and commission receivable	133	178	192
Cash collateral provided, CSA agreements etc	2,512	2,834	3,107
Other assets	3	1	2
Total	9,396	10,742	12,206

Notes

DKKm	30 Sep 2017	31 Dec 2016	30 Sep 2016
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Note 14

Amounts owed to credit institutions and central banks

Amounts owed to central banks	50	36	87
Amounts owed to credit institutions	3,163	17,520	17,315
Total	3,213	17,556	17,402
Of which repo transactions	735	8,019	7,580

Note 15

Deposits and other debt

On demand	68,620	65,717	65,955
At notice	3,879	5,237	5,150
Time deposits	3,430	4,945	2,238
Special categories of deposits	4,829	5,210	5,224
Total	80,758	81,109	78,567
Of which repo transactions	1,133	2,288	652

Note 16

Other liabilities

Negative market value of derivatives etc	6,052	7,589	8,960
Sundry creditors	3,538	4,236	3,970
Negative portfolio, reverse transactions	4,012	3,355	1,931
Interest and commission etc	26	34	96
Cash collateral received, CSA agreements	890	973	1,010
Total	14,518	16,187	15,967

Note 17

Provisions

Provisions for pensions and similar obligations	3	3	3
Provisions for deferred tax	165	165	127
Provisions for guarantees	156	126	128
Provisions for unused credit facilities	48	52	64
Other provisions *	25	27	24
Total	397	373	346

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

Notes

DKK m	30 Sep 2017	31 Dec 2016	30 Sep 2016
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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	738	740
Total Tier 2 capital					740	738	740
Redeemed loans					-	828	829
1.01 (floating)	2	Bond loan	EUR 75	Perpetual	558	558	559
Total Additional Tier 1 capital					558	1,386	1,388
Total subordinated capital					1,298	2,124	2,128
1) Optional redemption from 11 March 2022 after which the interest rate will be fixed at 1.72% above 5Y Mid-Swap.							
2) The interest rate follows the 10Y Mid-Swap plus a premium of 0.2%.							
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	3,809	3,880	3,976
Mortgage finance guarantees	4,189	2,550	2,451
Registration and remortgaging guarantees	2,782	3,237	3,907
Other contingent liabilities	1,720	1,718	1,785
Total	12,500	11,385	12,119

Other obligating agreements

Irrevocable credit commitments	1,236	895	838
Other liabilities	23	30	31
Total	1,259	925	869

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

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

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

As a result of the statutory participation in the deposit guarantee scheme, the industry has paid an annual contribution of 2.5% of covered net deposits until the Banking Department's capital exceeds 1% of total covered net deposits, which was reached at year-end 2015. The Banking Department will cover the direct losses in connection with the winding-up of distressed financial institutions under Bank Package III and Bank Package IV which are attributable to covered net deposits. Any losses as a result of the final winding-up will be covered by the Guarantee Fund via the Winding-up and Restructuring Department as regards which Sydbank is currently liable for 5.61% of any losses.

Notes

DKKm	30 Sep 2017	31 Dec 2016	30 Sep 2016
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Note 19 – continued

As a result of the statutory participation in the resolution financing arrangement (the Resolution Fund), credit institutions will pay an annual contribution over a 10-year period to reach a target funding level totalling 1% of covered deposits. Credit institutions must make contributions to the fund according to their relative size and risk in Denmark. Sydbank expects that contributions will total approximately DKK 200m over a 10-year period.

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 the securities or deposit them as collateral for other loans. The securities are not recognised in the balance sheet and consideration paid is recognised as a receivable.

Assets received as collateral in connection with reverse transactions may be sold to a third party. In such cases a negative portfolio may arise as a result of the accounting rules. This is recognised under “Other liabilities”.

Assets sold as part of repo transactions

Bonds at fair value	1,859	10,435	8,330
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Assets purchased as part of reverse transactions

Bonds at fair value	7,621	7,763	8,601
Shares etc.	4	-	4

Note 21

Collateral

At 30 September 2017 the Group had deposited as collateral securities at a market value of DKK 1,192m with Danish and foreign exchanges and clearing centres etc in connection with margin calls and securities settlements etc. In addition the Group has provided cash collateral in connection with CSA agreements of DKK 2,512m.

Notes

DKKm	Q1-Q3 2017	Q1-Q3 2016	Index 17/16	Full year 2016
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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 2017. Reference is made to the Group's 2016 Annual Report for a detailed description of related party transactions.

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 end of the first nine months.

Note 24

Large shareholders

On 21 July 2017 Silchester International Investors LLP announced that the company has reduced its shareholding in Sydbank A/S to below 5%. Subsequently Sydbank has no large shareholders.

Note 25

Core income

Net interest etc	1,520	1,749	87	2,323
Mortgage credit *	427	292	146	400
Payment services	149	149	100	199
Remortgaging and loan fees	104	67	155	70
Commission and brokerage	273	261	105	354
Commission etc investment funds and pooled pension plans	291	286	102	381
Asset management	188	143	131	220
Custody account fees	53	53	100	71
Other income	124	131	95	180
Total	3,129	3,131	100	4,198

* Mortgage credit

Totalkredit cooperation	334	224	149	314
Totalkredit, set-off of loss	22	16	138	23
Totalkredit cooperation, net	312	208	150	291
DLR Kredit	113	82	138	107
Other mortgage credit income	2	2	100	2
Total	427	292	146	400

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 is 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 primarily unlisted shares, including shares in DLR Kredit A/S.

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 179m.

Notes

30 Sep 2017					
DKKm	Quoted prices	Observable inputs	Un-observable inputs	Total fair value	Carrying amount

Note 26 – continued

Financial assets

Amounts owed by credit institutions and central banks	-	1,719	-	1,719	1,719
Loans and advances at fair value	-	5,929	-	5,929	5,929
Bonds at fair value	-	22,162	-	22,162	22,162
Shares etc	272	43	1,789	2,104	2,104
Assets related to pooled plans	5,962	10,071	-	16,033	16,033
Other assets	142	5,714	-	5,856	5,856
Total	6,376	45,638	1,789	53,803	53,803

Financial liabilities

Amounts owed to credit institutions and central banks	-	735	-	735	735
Deposits and other debt	-	1,133	-	1,133	1,133
Deposits in pooled plans	-	16,040	-	16,040	16,040
Other liabilities	151	9,913	-	10,064	10,064
Total	151	27,821	-	27,972	27,972

DKKm	30 Sep 2017	31 Dec 2016	30 Sep 2016
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Assets measured on the basis of unobservable inputs

Carrying amount at 1 Jan	1,557	1,493	1,493
Additions	160	9	9
Disposals	34	25	25
Market value adjustment	106	80	61
Carrying amount at end of period	1,789	1,557	1,538

Recognised in profit for the period

Dividend	28	38	38
Market value adjustment	106	80	62
Total	134	118	100

Notes

DKKm	30 Sep 2017	31 Dec 2016	30 Sep 2016
Note 27			
Leverage ratio			
Exposure for computation of leverage ratio			
Total assets	131,856	146,686	146,224
Pooled assets excluded	(16,033)	(13,817)	(13,285)
Impairment charges deducted from loans and advances	-	-	3,814
Correction derivatives etc	5,830	2,801	3,044
Guarantees etc	12,500	11,385	12,119
Unused credit facilities etc	11,226	11,338	12,330
Other adjustments	(1,674)	(482)	(425)
Total	143,705	157,911	163,821
Tier 1 capital – current (transitional rules)	9,608	11,044	10,799
Tier 1 capital – fully loaded	9,329	10,213	9,966
Leverage ratio (%) – current (transitional rules)	6.7	7.0	6.6
Leverage ratio (%) – fully loaded	6.5	6.5	6.1

30 Sep 2017					
DKKm	Activity	Share capital (m)	Share- holders' equity (DKKm)	Profit/(Loss) (DKKm)	Ownership share (%)
Note 28					
Group holdings and enterprises					
Sydbank A/S		DKK	722		
Consolidated subsidiaries					
DiBa A/S, Aabenraa	Investment	DKK	300	2,036	79
Ejendomsselskabet af 1. juni 1986 A/S, Aabenraa	Real property	DKK	10	4	(8)
Syd Fund Management A/S, Aabenraa	Administration	DKK	40	46	6
Sydbank (Schweiz) AG, in Liquidation, St. Gallen, Switzerland*	-	CHF	40	248	(1)
Holdings in associates					
Foreningen Bankdata, Fredericia	IT	DKK	510	510	(34)
Komplementarselskabet Core Property Management A/S, Copenhagen	Real property	DKK	10	29	15
Core Property Management P/S, Copenhagen	Real property	DKK	10	10	-

Financial information according to the companies' most recently published annual reports (2016).

* No activity at 30 September 2017.

Management Statement

We have considered and approved the Interim Report – Q1-Q3 2017 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 2017 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 2017. 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, 31 October 2017

Group Executive Management

Karen Frøsig
CEO

Bjarne Larsen

Jan Svarre

Board of Directors

Torben Nielsen
Chairman

Peder Damgaard
Vice-Chairman

Alex Slot Hansen

John Lesbo

Lars Mikkjelgaard-Jensen

Janne Moltke-Leth

Frank Møller Nielsen

Jacob Christian Nielsen

Jarl Oxlund

Margrethe Weber

Supplementary Information

Financial calendar

In 2018 the Group's preliminary announcement of financial statements will be released as follows:

– Announcement of the 2017 Financial Statements
20 February 2018

- Annual General Meeting 2018 *
14 March 2018

- Interim Report – Q1 2018
25 April 2018

- Interim Report – First Half 2018
28 August 2018

- Interim Report – Q1-Q3 2018
31 October 2018

* Motions submitted by shareholders to be discussed at the Annual General Meeting on 14 March 2018 must be received by the Bank no later than 31 January 2018.

Sydbank contacts

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Relevant links

sydbank.dk
sydbank.com

For further information reference is made to Sydbank's 2016 Annual Report at sydbank.com.