
Interim Report – Q1 2015

Sydbank Group

Sydbank

Sydbank's Interim Report – Q1 2015

Historically high income – good start to the year

CEO Karen Frøsig comments on the interim financial statements:

- We have had a good start to 2015 and we are very pleased. It has now been a year since we launched our plan to increase profitability at Sydbank. The entire organisation has made a targeted effort to implement the plan since then and the Q1 results show a Sydbank with a solid and high earnings capacity.
- Our total income in Q1 amounted to DKK 1,233m, which is an increase of 6% compared with Q1 2014. This is a historically high income for Sydbank and a sign that the continued high activity in the Bank together with lower impairment charges are the key to creating lasting profitability improvements.

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

- When we presented the 2014 Annual Report we announced that Sydbank would issue Tier 2 capital and that it might be possible to initiate a share buy-back programme. It is very gratifying to be able to say that we have implemented a successful issue of Tier 2 capital worth EUR 100m and that we have commenced our share buy-back programme.

Q1 – highlights

- Profit of DKK 304m. This is equal to a return on shareholders' equity of 10.9%.
- Total income of DKK 1,233m. This is an increase of 6% compared with Q1 2014. A historically high income.
- Impairment charges for loans and advances represent DKK 116m and have declined by 64% compared with Q1 2014.
- Bank loans and advances have risen by DKK 2.1bn, equal to 3.2%, in Q1 2015.
- The Common Equity Tier 1 capital ratio has climbed by 0.7% in Q1 2015 and constitutes 14.6%.
- 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 very limited positive economic growth in 2015. Furthermore we expect:

- Slightly rising core income due in part to a slight increase in bank loans and advances resulting from the measures implemented and despite continued fierce competition. The longer the negative interest rate environment lasts, the greater the uncertainty of the projection.
- Increasing trading income relative to income for 2014 but dependent on financial market developments.
- Unchanged costs (core earnings) – in spite of the general pay rises agreed for the financial sector of 1.75% and a payroll tax increase of 0.80%.
- Lower impairment charges in 2015. The uncertainty surrounding price developments in the agricultural sector may however affect impairment charges.

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

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Group Financial Highlights

	Q1 2015	Q1 2014	Index 15/14	Full year 2014
Income statement (DKKm)				
Core income	1,115	1,055	106	4,319
Trading income	118	86	137	196
Total income	1,233	1,141	108	4,515
Costs, core earnings	689	704	98	2,619
Core earnings before impairment	544	437	124	1,896
Impairment of loans and advances etc	116	319	36	707
Core earnings	428	118	363	1,189
Investment portfolio earnings	(31)	84	(37)	76
Profit before non-recurring items	397	202	197	1,265
Non-recurring items, net	-	129	-	64
Profit before tax	397	331	120	1,329
Tax	93	45	207	277
Profit for the period	304	286	106	1,052
Balance sheet highlights (DKKbn)				
Loans and advances at amortised cost	70.6	67.2	105	68.5
Loans and advances at fair value	8.0	6.1	131	6.9
Deposits and other debt	72.1	72.0	100	73.9
Bonds issued at amortised cost	3.7	3.7	100	3.7
Subordinated capital	2.1	1.5	140	1.4
Shareholders' equity	11.1	10.5	106	11.3
Total assets	155.7	143.4	109	152.3
Financial ratios per share (DKK per share of DKK 10)				
EPS Basic **	4.1	3.9		14.3
EPS Diluted **	4.1	3.9		14.3
Share price at end of period	218.1	138.7		190.2
Book value	151.2	143.5		154.2
Share price/book value	1.44	0.97		1.23
Average number of shares outstanding (in millions)	73.4	73.3		73.3
Dividend per share	-	-		7.08
Other financial ratios and key figures				
Common Equity Tier 1 capital ratio	14.6	13.8		13.9
Tier 1 capital ratio	16.0	15.3		15.5
Capital ratio	17.6	15.8		16.0
Pre-tax profit as % of average shareholders' equity **	3.5	3.2		12.3
Post-tax profit as % of average shareholders' equity **	2.7	2.7		9.8
Costs (core earnings) as % of total income	55.9	61.7		58.0
Return on assets (%)	0.2	0.2		0.7
Interest rate risk	0.3	0.6		0.0
Foreign exchange position	1.5	9.2		1.8
Foreign exchange risk	0.0	0.2		0.0
Loans and advances relative to deposits *	0.8	0.8		0.8
Loans and advances relative to shareholders' equity *	6.4	6.4		6.1
Growth in loans and advances for the period *	3.2	0.9		2.8
Excess cover relative to statutory liquidity requirements	141.1	182.9		142.2
Total large exposures	10.1	35.5		0.0
Accumulated impairment ratio	4.9	5.2		5.1
Impairment ratio for the period **	0.13	0.36		0.80
Number of full-time staff at end of period	2,119	2,201	96	2,101

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

** Ratios have not been converted to a full-year basis.

Highlights

High activity is improving profitability

Sydbank's financial statements for Q1 show a pre-tax profit of DKK 397m compared with DKK 331m one year ago. The improvement is due to rising core income and trading income as well as lower impairment charges.

Profit before tax equals a return of 14.2% p.a. on average shareholders' equity. The result is in line with the expectations presented in the 2014 financial statements.

Total income represents DKK 1,233m compared with DKK 1,141m for the first three months of 2014 – income for the quarter is historically high.

Core earnings constitute DKK 428m compared with DKK 118m in 2014 – the best 3-month result since Q2 2008.

Profit for the period amounts to DKK 304m compared with DKK 286m 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.

Q1 performance

The fall in market rates caused by the upward pressure on DKK in Q1 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 Q1 2014 core income has climbed by DKK 60m or 6% to DKK 1,115m following a rise in income from mortgage credit, loan fees, commission and asset management.

Trading income has gone up by DKK 32m to DKK 118m compared with DKK 86m in Q1 2014.

Total income represents DKK 1,233m, an increase of 8% compared with Q1 2014.

Costs (core earnings) are a constant area of focus at Sydbank. In Q1 the Bank maintained tight control of costs (core earnings) which show a declining trend.

The Group's impairment charges for loans and advances have declined by DKK 203m to DKK 116m compared with Q1 2014.

Core earnings have increased by DKK 310m to DKK 428m compared with DKK 118m in Q1 2014. The improvement is mainly attributable to a decrease in impairment charges for loans and advances as well as a rise in income.

Together the Group's position-taking and liquidity handling recorded investment portfolio earnings of minus DKK 31m in Q1 2015 compared with DKK 84m a year ago.

Profit before tax rose to DKK 397m in Q1 2015 compared with DKK 331m in the same period in 2014. The rise has been realised despite the recognition of non-recurring items which constituted an income of DKK 129m in Q1 2014.

Tax represents DKK 93m. Profit for the period amounts to DKK 304m compared with DKK 286m in 2014.

During the first quarter Sydbank recorded an increase in bank loans and advances of DKK 2.1bn 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.

On 13 April 2015 the Group initiated a share buy-back programme of DKK 500m. 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 a slight increase in bank loans and advances resulting from the measures implemented and despite continued fierce competition. The longer the current negative interest rate environment lasts, the greater the uncertainty of the projection.

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.

Lower impairment charges are forecast for 2015. The uncertainty surrounding price developments in the agricultural sector may however affect impairment charges.

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

Financial Review – Performance in Q1 2015

The Sydbank Group has recorded a profit before tax of DKK 397m (Q1 2014: DKK 331m). The performance meets the expectations at the beginning of the year. Profit before tax equals a return of 14.2% p.a. on average shareholders' equity.

Profit for the period amounts to DKK 304m compared with DKK 286m in 2014.

The result is characterised by the following:

Q1

- A 6% rise in core income despite a decline in net interest etc of 3%
- A 37% increase in trading income
- Lower costs (core earnings) as a result of the implementation of the plan in progress
- A 64% decrease in impairment charges for loans and advances
- A rise in core earnings of DKK 310m to DKK 428m
- Negative investment portfolio earnings of DKK 31m
- Bank loans and advances of DKK 70.6bn (year-end 2014: DKK 68.5bn)
- Bank deposits of DKK 72.1bn (year-end 2014: DKK 73.9bn)
- A capital ratio of 17.6%, including a Common Equity Tier 1 capital ratio of 14.6%
- An individual solvency need of 10.3% (year-end 2014: 10.4%).

Income statement – Q1 (DKKm)	2015	2014
Core income	1,115	1,055
Trading income	118	86
Total income	1,233	1,141
Costs, core earnings	689	704
Core earnings before impairment	544	437
Impairment of loans and advances etc	116	319
Core earnings	428	118
Investment portfolio earnings	(31)	84
Profit before non-recurring items	397	202
Non-recurring items, net	-	129
Profit before tax	397	331
Tax	93	45
Profit for the period	304	286

Core income

Total core income has increased by DKK 60m to DKK 1,115m.

Net interest has decreased by DKK 20m to DKK 595m due predominantly to the decline in market rates.

Net income from the cooperation with Totalkredit represents DKK 76m (2014: DKK 58m) after a set-off of loss of DKK 8m (2014: DKK 9m). The cooperation with DLR Kredit has generated an income of DKK 19m (2014: DKK 16m). Compared with 2014 total mortgage credit income has climbed by DKK 18m to DKK 96m – an increase of 23%.

Income from remortgaging and loan fees has gone up by DKK 26m to DKK 52m compared with 2014 – an increase of 100%. This is due in part to a sharp rise in remortgaging activity.

Commission and brokerage income has increased by DKK 40m to DKK 132m compared with 2014 – a rise of 43%.

Overall the remaining income components are at the same level as in 2014.

Core income – Q1 (DKKm)	2015	2014
Net interest etc	595	615
Mortgage credit	96	78
Payment services	53	58
Remortgaging and loan fees	52	26
Commission and brokerage	132	92
Commission etc investment funds and pooled pension plans	87	85
Asset management	47	41
Custody account fees	19	20
Other income	34	40
Total	1,115	1,055

Trading income

Trading income has gone up by DKK 32m to DKK 118m. Developments are characterised by growing activity in trading in mortgage bonds, equities turnover and currency hedging.

Costs and depreciation

The Group's costs and depreciation totalled DKK 691m, equal to a decrease of DKK 31m compared with 2014.

Costs and depreciation – Q1 (DKKm)	2015	2014
Staff costs	394	400
Other administrative expenses	243	268
Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	24	25
Other operating expenses	30	29
Total costs and depreciation	691	722
Distributed as follows:		
Costs, core earnings	689	704
Costs, investment portfolio earnings	2	2
Costs, non-recurring items	-	16

Costs (core earnings) represent DKK 689m compared with DKK 704m in 2014.

At the end of Q1 2015 the Group’s staff numbered 2,119 (full-time equivalent) compared with 2,201 at 31 March 2014.

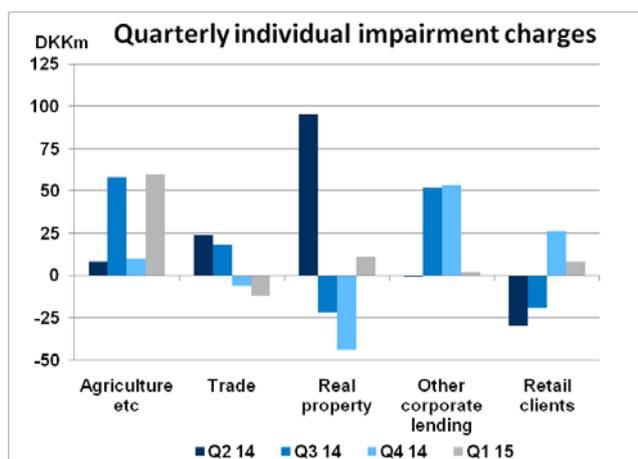
As a consequence of the Bank’s ongoing adjustment of its service concept and its efforts to reduce costs (core earnings), one branch was closed during the first quarter. This brings the number of branches to 81 in Denmark and three in Germany.

Core earnings before impairment

Core earnings before impairment charges for loans and advances represent DKK 544m – an increase of DKK 107m compared with one year ago.

Impairment charges for loans and advances etc

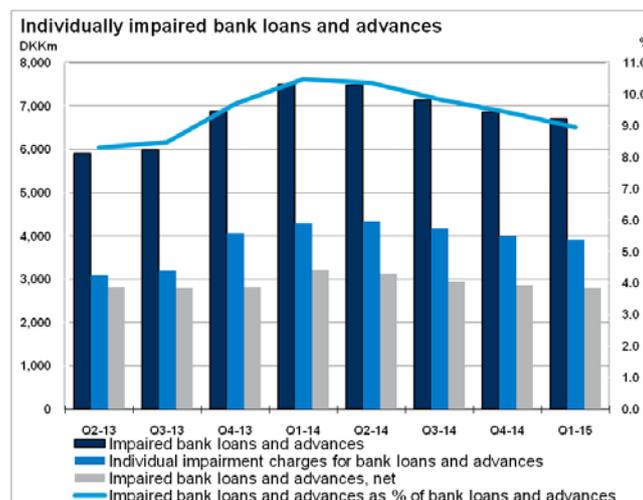
Impairment charges for loans and advances represent DKK 116m compared with DKK 319m during the same period in 2014. This is a reduction of 64%.



The chart above 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 Q1 2015 impairment charges for agriculture and collective impairment charges totalled DKK 107m, equal to 92% of impairment charges for the quarter.

At 31 March 2015 the impairment ratio represents 0.16% relative to bank loans and advances and 0.13% relative to bank loans and advances and guarantees. At end-March 2015 accumulated impairment and provisions amount to DKK 4,366m – a decline of DKK 46m compared with the beginning of the year.



Compared with 31 March 2014 impaired bank loans and advances before impairment charges have decreased by DKK 806m to DKK 6,700m, equivalent to a decline of 11%.

DKK 578m of the decrease is attributable to non-defaulted bank loans and advances and DKK 228m is attributable to defaulted bank loans and advances. During the same period individually impaired bank loans and advances after impairment charges dropped by DKK 423m, equal to 13%. Impairment charges for individually impaired bank loans and advances represent 58.3% (end-March 2014: 57.1% and year-end 2014: 58.2%).

In Q1 2015 reported losses amount to DKK 228m (Q1 2014: DKK 163m) of which DKK 206m has previously been written down.

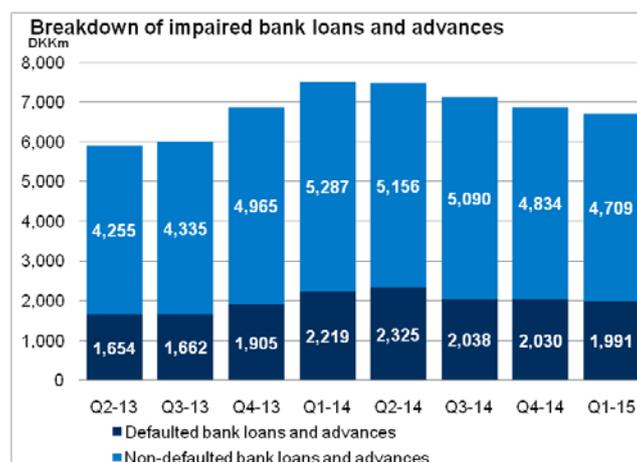
Individually impaired bank loans and advances (DKKm)	31 Mar 2015	31 Dec 2014	31 Mar 2014
Non-defaulted bank loans and advances	4,709	4,834	5,287
Defaulted bank loans and advances	1,991	2,030	2,219
Impaired bank loans and advances	6,700	6,864	7,506
Impairment charges for bank loans and advances subject to individual impairment	3,905	3,996	4,288
Impaired bank loans and advances after impairment charges	2,795	2,868	3,218
Impaired bank loans and advances as % of bank loans and advances before impairment charges	8.9	9.4	10.5
Impairment charges as % of bank loans and advances before impairment charges	5.2	5.5	6.0
Impairment as % of impaired bank loans and advances	58.3	58.2	57.1
Impairment charges as % of defaulted bank loans and advances	196.1	196.8	193.2

Impairment charges as a percentage of defaulted bank loans and advances at 31 March 2015 stand at 196.1.

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 31 March 2014 defaulted bank loans and advances have declined by DKK 228m to DKK 1,991m, equal to a reduction of 10%.

Since 31 March 2014 non-defaulted bank loans and advances have dropped by DKK 578m to DKK 4,709m, equal to a reduction of 11%.



Core earnings

Core earnings represent DKK 428m – an increase of DKK 310m or 263% compared with one year ago. This is the highest quarterly result since Q2 2008.

Investment portfolio earnings

Together the Group's position-taking and liquidity handling recorded earnings of minus DKK 31m in Q1 2015 compared with DKK 84m a year ago.

Investment portfolio earnings – Q1 (DKKm)	2015	2014
Position-taking	(69)	62
Liquidity generation and liquidity reserves	40	24
Strategic positions	0	0
Costs	(2)	(2)
Total	(31)	84

Investment portfolio earnings were adversely affected in Q1 2015 by the Group's fixed income position which has been held for an extended period in anticipation of an interest rate increase. During the quarter the interest rate declined, which has resulted in a loss on the position.

In addition to the effect of the interest rate decline, the value of the Group's holding of mortgage bonds has been negatively impacted by the widening of credit spreads between government bonds and mortgage bonds.

Margin expenses as regards the Group's senior issues are included under liquidity generation and liquidity reserves and represent DKK 7m in Q1 2015 compared with DKK 22m in Q1 2014.

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

Profit for the period

Profit before tax amounts to DKK 397m (2014: DKK 331m). Tax represents DKK 93m, equivalent to an effective tax rate of 23.5%. Profit for the period amounts to DKK 304m compared with DKK 286m in 2014.

Return

Profit for the period equals a return on average shareholders' equity of 10.9% p.a. after tax against 11.0% p.a. in Q1 2014. Earnings per share stands at DKK 4.1 compared with DKK 3.9 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 0m compared with DKK 1m in Q1 2014. Profit after tax in DiBa, Heering Huse and Sydinvest Administration represents DKK 1m (2014: minus DKK 3m), DKK 0m (2014: DKK 0m) and DKK 0m (2014: DKK 0m), respectively.

Q1 2015 compared with Q4 2014

Profit before tax for the quarter represents DKK 397m. Compared with Q4 2014 the result before tax reflects:

- A 6% decline in net interest etc due predominantly to two fewer days in the quarter as well as market rate developments
- A rise in core income of DKK 21m
- A rise in trading income of DKK 127m
- A rise in costs (core earnings) of DKK 56m
- A decline in impairment charges for bank loans and advances of DKK 32m – an improvement from the low level in Q4
- A rise in core earnings of DKK 124m to DKK 428m
- Investment portfolio earnings of minus DKK 31m (Q4 2014: minus DKK 5m).

Total assets

The Group's total assets made up DKK 155.7bn at 31 March 2015 against DKK 152.3bn at year-end 2014.

Assets (DKKbn)	31 Mar 2015	31 Dec 2014
Amounts owed by credit institutions etc	15.4	10.2
Loans and advances at fair value (reverse transactions)	8.0	6.9
Bank loans and advances (at amortised cost)	70.6	68.5
Securities and holdings etc	29.8	37.9
Assets related to pooled plans	11.8	10.8
Other assets etc	20.1	18.0
Total	155.7	152.3

The Group's bank loans and advances make up DKK 70.6bn at end-March 2015 against DKK 68.5bn at year-end 2014 and DKK 67.2bn at end-March 2014.

Shareholders' equity and liabilities (DKKbn)	31 Mar 2015	31 Dec 2014
Amounts owed to credit institutions etc	31.6	32.1
Deposits and other debt	72.1	73.9
Deposits in pooled plans	11.8	10.8
Bonds issued	3.7	3.7
Other liabilities etc	23.3	19.1
Subordinated capital	2.1	1.4
Shareholders' equity	11.1	11.3
Total	155.7	152.3

The Group's deposits make up DKK 72.1bn against DKK 73.9bn at year-end 2014 and DKK 72.0bn at end-March 2014.

Capital

At 31 March 2015 shareholders' equity constitutes DKK 11,094m – a decline of DKK 217m since year-end 2014. The change comprises additions from profit for the period of DKK 304m less distribution of DKK 529m and net sales of own shares of DKK 8m.

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.

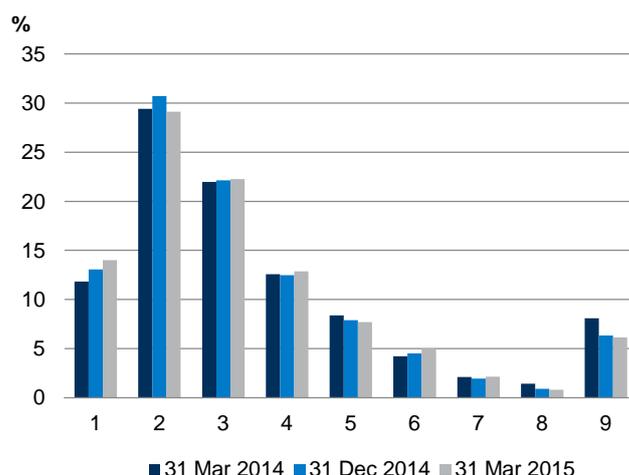
On 13 April 2015 the Group initiated a share buy-back programme of DKK 500m. The share buy-back is part of the capital adjustment to optimise the capital structure in accordance with the capital targets and capital policy published in the 2014 Annual Report.

Risk-weighted assets (DKKbn)	31 Mar 2015	31 Dec 2014
Credit risk	49.1	49.4
Market risk	5.7	8.0
Operational risk	8.6	8.6
Other exposures incl CVA	6.9	6.5
Total	70.3	72.5

Risk-weighted assets represent DKK 70.3bn (year-end 2014: DKK 72.5bn). The change is mainly attributable to a decrease in market risk of DKK 2.3bn.

The development in gross exposures by rating category at 31 March 2014, 31 December 2014 and 31 March 2015 appears below.

Gross exposures by rating category



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

Gross exposures by rating category show an overall positive development and account for an increasing share of the four best rating categories.

The Group's capital ratio stands at 17.6%, of which 16.0 percentage points are attributable to Tier 1 capital, compared with 16.0% and 15.5 percentage points, respectively, at year-end 2014. The Common Equity Tier 1 capital ratio stands at 14.6% (31 Dec 2014: 13.9%). At 31 March 2015 the individual solvency need represents 10.3% against 10.4% at year-end 2014.

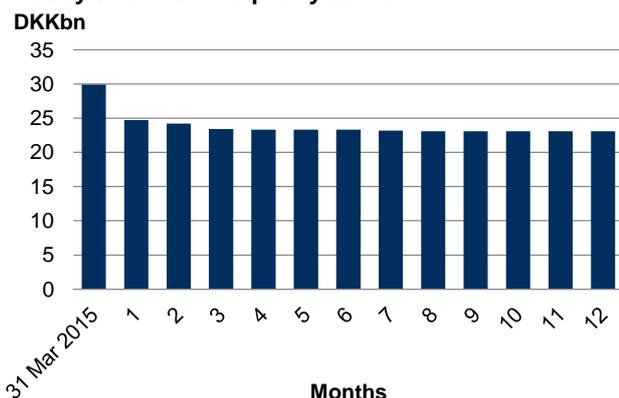
Market risk

At 31 March 2015 the Group's interest rate risk represents minus DKK 33m. 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 24.1% at 31 March 2015.

Moody's 12-month curve shows that the Group is able to withstand a situation in which access to capital markets is cut off for a period of 12 months.

Moody's 12-month liquidity curve**Rating**

Moody's most recent rating of Sydbank:

- Outlook: Review for possible upgrade
- Long-term debt: Baa1
- Short-term debt: P-2
- Bank financial strength: C-

Supervisory Diamond

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

Supervisory Diamond (%)	31 Mar 2015	31 Dec 2014	31 Mar 2014
Sum of large exposures < 125%	10	0	35
Growth in loans and advances < 20% annually	3	3	1
Commercial property exposure < 25%	8	9	12
Funding ratio < 1	0.80	0.78	0.77
Excess cover relative to statutory liquidity requirements > 50%	141	142	183

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

Focus on agriculture

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

Impaired bank loans and advances to agriculture have grown by DKK 75m to DKK 1,842m in 2015, equal to an increase of 1.2% of loans and advances.

Of total loans and advances to agriculture an impairment charge of 19.2% has been recorded at 31 March 2015 against 17.5% at year-end 2014.

31 March 2015 (DKKm)	Pig farming	Cattle farming	Crop production	Other agriculture	Total loans and advances
Bank loans and advances before impairment charges	1,934	1,827	1,365	1,150	6,276
Individual impairment charges	330	590	45	115	1,080
Previous events	85	40			125
Bank loans and advances after impairment charges	1,519	1,197	1,320	1,035	5,071
Impaired bank loans and advances	613	946	88	195	1,842
Impaired as % of bank loans and advances	31.7	51.8	6.4	17.0	29.3
Impairment as % of impaired bank loans and advances	53.8	62.4	51.1	59.0	58.6
Impairment as % of bank loans and advances	21.5	34.5	3.3	10.0	19.2

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

After a couple of years with satisfactory settlement prices for agricultural products, prices dropped to significantly lower levels in 2H 2014.

The drop in prices was due in part to Russia's embargo on agricultural products from the EU.

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 Danish Agriculture and Food Council (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).

As a result of a favourable trend in USD the competitiveness of Danish pig producers in export markets has improved relative to that of US pig producers. Currently it is forecast that the average quotation in 2015 will increase from previously DKK 9.00 per kg to DKK 9.35 per kg.

For the average pig producer this means an improvement of the annual operating profit of

approximately DKK 338,000. Consequently an anticipated loss of DKK 822,000 will be reduced to an anticipated loss of DKK 484,000. The current quotation for pork is DKK 9.60 per kg.

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 March 2015 ARLA increased the settlement price by DKK 0.12 per kg milk and as a result the forecast for the full year was raised from DKK 2.34 to DKK 2.46 per kg. For the average milk producer this translates into an expected increase in earnings of approximately DKK 240,000.

On this basis the current projection is that earnings in agriculture will not be quite as negative in 2015 as previously forecast.

In Q1 2015 an impairment charge of DKK 60m was recorded as regards agricultural exposures. The collective impairment charge of DKK 125m has been maintained and may consequently be used to cover any further impairment as regards agricultural exposures later on in 2015.

Income Statement

DKKm	Note	Q1 2015	Q1 2014	Full year 2014
Interest income	2	746	827	3,341
Interest expense	3	101	167	599
Net interest income		645	660	2,742
Dividends on shares		11	16	43
Fee and commission income	4	493	422	1,750
Fee and commission expense		62	61	238
Net interest and fee income		1,087	1,037	4,297
Market value adjustments	5	108	314	391
Other operating income		7	9	31
Staff costs and administrative expenses	6	637	668	2,497
Depreciation and impairment of property, plant and equipment		24	25	96
Other operating expenses	8	30	29	114
Impairment of loans and advances etc	9	116	315	692
Profit on holdings in associates and subsidiaries	10	2	8	9
Profit before tax		397	331	1,329
Tax	11	93	45	277
Profit for the period		304	286	1,052
EPS Basic (DKK) *		4.1	3.9	14.3
EPS Diluted (DKK) *		4.1	3.9	14.3
Dividend per share (DKK)		-	-	7.08

* Calculated on the basis of average number of shares outstanding, see page 17.

Statement of Comprehensive Income

Profit for the period	304	286	1,052
Other comprehensive income			
Items that may be reclassified to the income statement:			
Translation of foreign entities	34	1	4
Hedge of net investment in foreign entities	(34)	(1)	(4)
Property revaluation	-	-	13
Other comprehensive income after tax	0	0	13
Comprehensive income for the period	304	286	1,065

Balance Sheet

DKKm	Note	31 Mar 2015	31 Dec 2014	31 Mar 2014
Assets				
Cash and balances on demand at central banks		3,271	629	1,294
Amounts owed by credit institutions and central banks	12	12,114	9,594	6,063
Loans and advances at fair value		7,966	6,891	6,111
Loans and advances at amortised cost		70,620	68,451	67,201
Bonds at fair value		27,970	36,132	36,073
Shares etc		1,648	1,593	1,833
Holdings in associates etc		169	168	170
Assets related to pooled plans		11,805	10,790	10,366
Intangible assets		340	334	348
Total land and buildings		1,080	1,071	1,125
investment property		2	2	17
owner-occupied property		1,078	1,069	1,108
Other property, plant and equipment		68	73	76
Current tax assets		307	47	180
Deferred tax assets		104	97	107
Assets in temporary possession		14	15	10
Other assets	13	18,112	16,376	12,332
Prepayments		74	55	73
Total assets		155,662	152,316	143,362
Shareholders' equity and liabilities				
Amounts owed to credit institutions and central banks	14	31,590	32,051	28,618
Deposits and other debt	15	72,119	73,922	71,965
Deposits in pooled plans		11,811	10,796	10,371
Bonds issued at amortised cost		3,727	3,741	3,747
Current tax liabilities		1	-	5
Other liabilities	16	22,905	18,840	16,417
Deferred income		5	4	5
Total debt		142,158	139,354	131,128
Provisions	17	279	266	172
Subordinated capital	18	2,131	1,385	1,534
Shareholders' equity:				
Share capital		742	742	742
Revaluation reserves		90	90	77
Other reserves:				
Reserves according to articles of association		425	425	425
Other reserves		10	10	3
Retained earnings		9,827	9,508	9,281
Proposed dividend etc		-	536	-
Total shareholders' equity		11,094	11,311	10,528
Total shareholders' equity and liabilities		155,662	152,316	143,362

Financial Highlights – Quarterly

	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Income statement (DKKm)					
Core income	1,115	1,094	1,094	1,076	1,055
Trading income	118	(9)	53	66	86
Total income	1,233	1,085	1,147	1,142	1,141
Costs, core earnings	689	633	621	661	704
Core earnings before impairment	544	452	526	481	437
Impairment of loans and advances etc	116	148	129	111	319
Core earnings	428	304	397	370	118
Investment portfolio earnings	(31)	(5)	44	(47)	84
Profit before non-recurring items	397	299	441	323	202
Non-recurring items, net	-	(20)	(23)	(22)	129
Profit before tax	397	279	418	301	331
Tax	93	55	104	73	45
Profit for the period	304	224	314	228	286
Balance sheet highlights (DKKbn)					
Loans and advances at amortised cost	70.6	68.5	68.0	67.7	67.2
Loans and advances at fair value	8.0	6.9	5.1	5.7	6.1
Deposits and other debt	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
Subordinated capital	2.1	1.4	1.4	1.4	1.5
Shareholders' equity	11.1	11.3	11.1	10.7	10.5
Total assets	155.7	152.3	148.2	147.4	143.4
Financial ratios per share (DKK per share of DKK 10)					
EPS Basic **	4.1	3.0	4.3	3.1	3.9
EPS Diluted **	4.1	3.0	4.3	3.1	3.9
Share price at end of period	218.1	190.2	179.6	143.7	138.7
Book value	151.2	154.2	151.0	146.7	143.5
Share price/book value	1.44	1.23	1.19	0.98	0.97
Average number of shares outstanding (in millions)	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	14.6	13.9	14.8	14.1	13.8
Tier 1 capital ratio	16.0	15.5	16.4	15.7	15.3
Capital ratio	17.6	16.0	17.0	16.2	15.8
Pre-tax profit as % of average shareholders' equity **	3.5	2.5	3.8	2.8	3.2
Post-tax profit as % of average shareholders' equity **	2.7	2.0	2.9	2.1	2.7
Costs (core earnings) as % of total income	55.9	58.3	54.1	57.9	61.7
Return on assets (%)	0.2	0.1	0.2	0.2	0.2
Interest rate risk	0.3	0.0	0.5	0.5	0.6
Foreign exchange position	1.5	1.8	4.5	4.4	9.2
Foreign exchange risk	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
Loans and advances relative to shareholders' equity *	6.4	6.1	6.1	6.3	6.4
Growth in loans and advances for the period *	3.2	0.7	0.5	0.7	0.9
Excess cover relative to statutory liquidity requirements	141.1	142.2	177.3	188.4	182.9
Total large exposures	10.1	0.0	37.9	36.3	35.5
Accumulated impairment ratio	4.9	5.1	5.4	5.7	5.6
Impairment ratio for the period **	0.13	0.17	0.16	0.14	0.40
Number of full-time staff at end of period	2,119	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.

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	-	-	-	-	304	-	304
Other comprehensive income							
Translation of foreign entities	-	-	-	-	34	-	34
Hedge of net investment in foreign entities	-	-	-	-	(34)	-	(34)
Total other comprehensive income	-	-	-	-	-	-	-
Comprehensive income for the period	-	-	-	-	304	-	304
Transactions with owners							
Purchase of own shares	-	-	-	-	(247)	-	(247)
Sale of own shares	-	-	-	-	255	-	255
Dividend etc paid	-	-	-	-	-	(536)	(536)
Dividend, own shares	-	-	-	-	7	-	7
Total transactions with owners	-	-	-	-	15	(536)	(521)
Shareholders' equity at 31 Mar 2015	742	90	425	10	9,827	-	11,094
Shareholders' equity at 1 Jan 2014	742	77	425	3	8,986	4	10,237
Profit for the period	-	-	-	-	286	-	286
Other comprehensive income							
Translation of foreign entities	-	-	-	-	1	-	1
Hedge of net investment in foreign entities	-	-	-	-	(1)	-	(1)
Total other comprehensive income	-	-	-	-	-	-	-
Comprehensive income for the period	-	-	-	-	286	-	286
Transactions with owners							
Purchase of own shares	-	-	-	-	(239)	-	(239)
Sale of own shares	-	-	-	-	248	-	248
Dividend etc paid	-	-	-	-	-	(4)	(4)
Total transactions with owners	-	-	-	-	9	(4)	5
Shareholders' equity at 31 Mar 2014	742	77	425	3	9,281	-	10,528

* 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	31 Mar 2015	Full year 2014	31 Mar 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)	73,392,256	73,355,021	73,343,307
Average number of shares outstanding (number)	73,360,813	73,310,052	73,292,962

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

Capital

DKKkm	31 Mar 2015	31 Dec 2014	31 Mar 2014
Capital ratios			
Common Equity Tier 1 capital ratio	14.6	13.9	13.8
Tier 1 capital ratio	16.0	15.5	15.3
Capital ratio	17.6	16.0	15.8
Total capital:			
Shareholders' equity	11,094	11,311	10,528
Expected maximum dividend based on dividend policy	(152)	-	(143)
Proposed dividend etc	-	(536)	-
Intangible assets and capitalised deferred tax assets	(374)	(373)	(455)
Significant investments in financial sector	(322)	(301)	-
Common Equity Tier 1 capital	10,246	10,101	9,930
Additional Tier 1 capital	973	1,108	1,107
Tier 1 capital	11,219	11,209	11,037
Tier 2 capital	908	112	111
Difference between expected losses and accounting impairment charges	272	275	268
Total capital	12,399	11,596	11,416
Credit risk	49,111	49,417	48,232
Market risk	5,713	8,003	10,387
Operational risk	8,575	8,575	8,306
Other exposures incl CVA	6,898	6,472	5,280
Total risk exposure	70,297	72,467	72,205
Capital requirement under Pillar I	5,624	5,797	5,776

Cash Flow Statement

DKK m	Q1 2015	Full year 2014	Q1 2014
Operating activities			
Pre-tax profit for the period	397	1,329	286
Taxes paid	(352)	(90)	(44)
Adjustment for non-cash operating items	144	879	320
Cash flows from working capital	2,318	(1,662)	(38)
Cash flows from operating activities	2,507	456	524
Investing activities			
Purchase and sale of holdings in associates	1	1	-
Purchase and sale of intangible assets and property, plant and equipment	(33)	4	(6)
Cash flows from investing activities	(32)	5	(6)
Financing activities			
Purchase and sale of own holdings	8	13	9
Dividends etc	(529)	(4)	(4)
Raising of subordinated capital	746	(412)	(263)
Issue of bonds	(13)	(2,722)	(2,715)
Cash flows from financing activities	212	(3,125)	(2,973)
Cash flows for the period	2,687	(2,664)	(2,455)
Cash and cash equivalents at 1 Jan	2,285	4,949	4,949
Cash flows for the period	2,687	(2,664)	(2,455)
Total cash and cash equivalents at end of period	4,972	2,285	2,494

Segment Statements

DKKm	Banking	Asset Management	Sydbank Markets	Treasury	Other	Total
Business segments – Q1 2015						
Core income	1,028	47	40	-	-	1,115
Trading income	-	-	118	-	-	118
Total income	1,028	47	158	-	-	1,233
Costs, core earnings	632	14	27	-	16	689
Impairment of loans and advances etc	116	-	-	-	-	116
Core earnings	280	33	131	-	(16)	428
Investment portfolio earnings	-	-	-	(31)	-	(31)
Profit before non-recurring items	280	33	131	(31)	(16)	397
Non-recurring items, net	-	-	-	-	-	-
Profit before tax	280	33	131	(31)	(16)	397

DKKm	Banking	Asset Management	Sydbank Markets	Treasury	Other	Total
Business segments – Q1 2014						
Core income	989	40	26	-	-	1,055
Trading income	-	-	86	-	-	86
Total income	989	40	112	-	-	1,141
Costs, core earnings	647	14	30	-	13	704
Impairment of loans and advances etc	317	-	2	-	-	319
Core earnings	25	26	80	-	(13)	118
Investment portfolio earnings	-	-	-	80	4	84
Profit before non-recurring items	25	26	80	80	(9)	202
Non-recurring items, net	129	-	-	-	-	129
Profit before tax	154	26	80	80	(9)	331

Notes



Note 1

Accounting policies

The Interim Report is prepared in compliance with IAS 34 “Interim Financial Reporting” as adopted by the EU and in compliance with additional Danish disclosure requirements for interim reports. As a result of the use of IAS 34, the presentation is less complete compared with the presentation of an annual report and the recognition and measurement principles are in compliance with IFRS.

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

The 2014 Annual Report provides a comprehensive description of the accounting policies applied.

The measurement of certain assets and liabilities requires managerial estimates as to how future events will affect the value of such assets and liabilities. The significant estimates made by management in the use of the Group’s accounting policies and the inherent considerable uncertainty of such estimates used in the preparation of the condensed interim report are identical to those used in the preparation of the annual report as at 31 December 2014.

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

Notes

DKKkm	Q1 2015	Q1 2014	Full year 2014
Note 2			
Interest income			
Reverse transactions with credit institutions and central banks	(8)	(1)	(4)
Amounts owed by credit institutions and central banks	0	5	15
Reverse loans and advances	(1)	1	6
Loans and advances and other amounts owed	694	738	2,940
Bonds	88	125	492
Derivatives	(27)	(40)	(112)
comprising:			
Foreign exchange contracts	23	33	98
Interest rate contracts	(50)	(73)	(210)
Other contracts	0	0	0
Other interest income	0	(1)	4
Total	746	827	3,341

Note 3

Interest expense

Repo transactions with credit institutions and central banks	(8)	3	10
Credit institutions and central banks	6	13	50
Repo deposits	0	0	1
Deposits and other debt	82	111	430
Bonds issued	15	29	75
Subordinated capital	6	11	32
Other interest expense	0	0	1
Total	101	167	599

Note 4

Fee and commission income

Securities trading and custody accounts	253	227	895
Payment services	72	66	289
Loan fees	53	26	133
Guarantee commission	26	26	116
Other fees and commission	89	77	317
Total	493	422	1,750

Notes

DKK m	Q1 2015	Q1 2014	Full year 2014
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Note 5

Market value adjustments

Other loans and advances and amounts owed at fair value	0	(5)	1
Bonds	121	236	406
Shares etc	46	198	291
Investment property	0	1	0
Foreign exchange	64	39	170
Total derivatives	(121)	(155)	(476)
Assets related to pooled plans	732	231	590
Deposits in pooled plans	(733)	(231)	(592)
Other assets/liabilities	(1)	0	1
Total	108	314	391

Note 6

Staff costs and administrative expenses

Salaries and remuneration:			
Group Executive Management	3	3	12
Board of Directors	1	1	4
Shareholders' Committee	1	0	3
Total	5	4	19

Staff costs:

Wages and salaries	319	323	1,260
Pensions	31	32	135
Social security contributions	4	4	17
Payroll tax etc	35	37	133
Total	389	396	1,545

Other administrative expenses:

IT	139	145	574
Rent etc	26	33	146
Marketing and entertainment expenses	18	20	66
Other costs	60	70	147
Total	243	268	933
Total	637	668	2,497

Note 7

Staff

Average number of staff (full-time equivalent)	2,147	2,254	2,209
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Notes

DKKkm	Q1 2015	Q1 2014	Full year 2014
Note 8			
Other operating expenses			
Contributions to the Guarantee Fund for Depositors and Investors	30	29	115
Other expenses	0	0	(1)
Total	30	29	114
Note 9			
Impairment of loans and advances recognised in the income statement			
Impairment and provisions	111	314	595
Write-offs	22	13	183
Recovered from debt previously written off	17	12	86
Impairment of loans and advances etc	116	315	692
Impairment and provisions at end of period			
Individual impairment and provisions	4,018	4,380	4,111
Collective impairment and provisions	348	136	301
Impairment and provisions at end of period	4,366	4,516	4,412
Individual impairment of loans and advances and provisions for guarantees			
Impairment and provisions at 1 Jan	4,111	4,164	4,164
Exchange rate adjustment	0	0	0
New individual impairment charges	485	386	1,883
Reversed individual impairment charges	372	20	1,266
Other movements	-	-	2
Impairment charges made earlier, now finally written off	206	150	672
Impairment and provisions at end of period	4,018	4,380	4,111
Individual impairment of loans and advances	3,905	4,288	3,996
Individual provisions for guarantees	113	92	115
Impairment and provisions at end of period	4,018	4,380	4,111
Collective impairment of loans and advances and provisions for guarantees			
Impairment and provisions at 1 Jan	301	137	137
Impairment and provisions during the period	47	(1)	164
Impairment and provisions at end of period	348	136	301
Sum of loans and advances and amounts owed subject to collective impairment and provisions	5,008	6,505	4,930
Collective impairment and provisions	348	136	301
Loans and advances and amounts owed after collective impairment and provisions	4,660	6,369	4,629
Individual impairment of loans and advances subject to objective evidence of impairment			
Balance before impairment of individually impaired loans and advances	6,700	7,506	6,864
Impairment of individually impaired loans and advances	3,905	4,288	3,996
Balance after impairment of individually impaired loans and advances	2,795	3,218	2,868
Accrued interest concerning individually and collectively impaired loans and advances represents	127	156	614

Notes

Industry	Sydbank Group							
	Loans/advances and guarantees		Impairment and provisions		Impairment of loans and advances etc for the period		Loss for the period	
	31 Mar 2015	31 Dec 2014	31 Mar 2015	31 Dec 2014	Q1 2015	Q1 2014	Q1 2015	Q1 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	7,156	8,672	1,080	976	60	0	6	25
<i>Pig farming</i>	2,158	2,424	330	288	27	15	0	2
<i>Cattle farming</i>	2,123	2,877	590	540	31	(26)	0	15
<i>Crop production</i>	1,618	1,800	45	42	0	6	4	8
<i>Other agriculture</i>	1,257	1,571	115	106	2	5	2	-
Manufacturing and extraction of raw materials	7,684	7,166	225	227	11	1	21	31
Energy supply	2,964	2,969	20	20	2	9	4	-
Building and construction	3,245	3,119	144	137	4	9	3	13
Trade	12,476	12,049	453	478	(12)	50	11	11
Transportation, hotels and restaurants	3,233	3,054	73	72	3	6	2	7
Information and communication	469	548	26	28	(2)	2	1	-
Finance and insurance	6,705	6,131	333	365	(9)	38	18	5
Real property	7,423	7,843	488	567	11	129	82	26
<i>Leasing of commercial property</i>	3,404	3,632	222	275	8	51	53	17
<i>Leasing of residential property</i>	1,701	1,831	144	151	0	51	7	3
<i>Housing associations and cooperative housing associations</i>	1,463	1,336	-	-	-	-	-	-
<i>Purchase, development and sale on own account</i>	731	749	102	116	5	26	18	6
<i>Other related to real property</i>	124	295	20	25	(2)	1	4	-
Other corporate lending	3,886	3,906	135	158	(7)	16	11	7
Total corporate lending	55,241	55,457	2,977	3,028	61	260	159	125
Public authorities	699	880	-	-	-	-	-	-
Retail clients	32,420	30,257	928	968	8	56	69	38
Collective impairment charges			348	301	47	(1)		
Provisions for guarantees			113	115				
Total	88,360	86,594	4,366	4,412	116	315	228	163

Notes

DKKm	Q1 2015	Q1 2014	Full year 2014
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Note 10

Profit on holdings in associates and subsidiaries

Profit on holdings in associates etc	2	8	9
Total	2	8	9

Note 11

Effective tax rate

Current tax rate of Sydbank	23.5	24.5	24.5
Change in deferred tax due to reduction in corporation tax rate	-	-	0.4
Permanent differences *	-	(10.7)	(3.7)
Adjustment of prior year tax charges	-	-	(0.3)
Effective tax rate	23.5	13.8	20.9

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

DKKm	31 Mar 2015	31 Dec 2014	31 Mar 2014
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Note 12

Amounts owed by credit institutions and central banks

Amounts owed at notice by central banks	-	1,450	-
Amounts owed by credit institutions	12,114	8,144	6,063
Total	12,114	9,594	6,063
Of which reverse transactions	10,712	6,731	4,598

Note 13

Other assets

Positive market value of derivatives etc	13,499	12,164	9,269
Sundry debtors	655	424	391
Interest and commission receivable	202	283	344
Cash collateral provided, CSA agreements	3,743	3,505	2,328
Other assets	13	0	0
Total	18,112	16,376	12,332

Notes

DKKkm	31 Mar 2015	31 Dec 2014	31 Mar 2014
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Note 14

Amounts owed to credit institutions and central banks

Amounts owed to central banks	13	1,500	-
Amounts owed to credit institutions	31,577	30,551	28,618
Total	31,590	32,051	28,618
Of which repo transactions	20,010	18,472	15,038

Note 15

Deposits and other debt

On demand	60,085	58,424	55,350
At notice	341	339	370
Time deposits	5,941	9,356	8,421
Special categories of deposits	5,752	5,803	7,824
Total	72,119	73,922	71,965
Of which repo transactions	1,056	2,601	-

Note 16

Other liabilities

Negative market value of derivatives etc	14,138	12,677	9,508
Sundry creditors etc	1,574	1,135	1,368
Negative portfolio, reverse transactions	6,087	3,770	4,862
Interest and commission etc	93	50	86
Cash collateral received, CSA agreements	1,013	1,208	593
Total	22,905	18,840	16,417

Note 17

Provisions

Provisions for pensions and similar obligations	4	4	4
Provisions for deferred tax	80	73	30
Provisions for guarantees	113	115	92
Other provisions *	82	74	46
Total	279	266	172

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

Notes

DKKm	31 Mar 2015	31 Dec 2014	31 Mar 2014
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Note 18

Subordinated capital

Interest rate	Note		Nominal (m)	Maturity			
2.125 (fixed)	1)	Bond loan	EUR 100	11/03/2027	740	-	-
Redeemed loans			-	-	-	-	150
Total Tier 2 capital					740	-	150
1.16 (floating)	2)	Bond loan	EUR 100	Perpetual	746	742	743
1.22 (floating)	3)	Bond loan	EUR 75	Perpetual	560	558	556
6.36 (fixed)	4)	Bond loan	DKK 85	Perpetual	85	85	85
Total Additional Tier 1 capital					1,391	1,385	1,384
Total subordinated capital					2,131	1,385	1,534
1) Optional redemption from 11 March 2022 after which the interest rate will be fixed at 1.72% above 5Y Mid-Swap.							
2) Optional redemption from 25 April 2017 after which the interest rate will be fixed at 2.10% above 3M EURIBOR.							
3) The interest rate follows the 10Y Mid-Swap plus a premium of 0.2%.							
4) Optional redemption from 14 May 2017 after which the interest rate will be fixed at 1.75% above 3M CIBOR.							
Costs relating to the raising and redemption of subordinated capital					0	0	0

Note 19

Contingent liabilities and other obligating agreements

Contingent liabilities

Financial guarantees	3,840	3,604	3,884
Mortgage finance guarantees	1,603	1,464	1,206
Registration and remortgaging guarantees	6,438	7,152	2,097
Other contingent liabilities	1,606	1,626	1,704
Total	13,487	13,846	8,891

Other obligating agreements

Irrevocable credit commitments	1,346	1,196	433
Other liabilities	41	49	59
Total	1,387	1,245	492

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

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

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

As a result of participation in the statutory depositors' guarantee scheme the industry pays an annual contribution of 2.55‰ of covered net deposits. Payment to the Banking Department will continue until the department's assets exceed 1% of total covered net deposits. The Banking Department will cover the direct losses in connection with the winding-up of distressed financial institutions under Bank Package III and Bank Package IV which are attributable to covered net deposits.

Notes

DKKm	31 Mar 2015	31 Dec 2014	31 Mar 2014
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Note 19 – continued

Any losses as a result of final winding-up will be covered by the Deposit Guarantee Fund via the Winding-up and Restructuring Department as regards which Sydbank is currently liable for 5.6% of any losses.

Due to inadequacies in the prospectus of bankTrelleborg from 2007, as ruled by the Danish Supreme Court on 18 January 2013, Sydbank has paid damages to former minority shareholders of bankTrelleborg. Sydbank has received partial compensation for its loss by Fonden for bankTrelleborg, which sold bankTrelleborg to Sydbank.

The prospectus of bankTrelleborg was prepared with the assistance of professional advisers and prospectus liability insurance had been taken out. Sydbank has set up claims against these parties as regards the inadequate prospectus. The insurance company, AIG, has refused to cover the claim under the prospectus liability insurance and consequently it has been necessary for Sydbank to bring its claim before the arbitration tribunal.

Sydbank's risk of loss totals DKK 26m. It is Sydbank's assessment that the Bank will recover the full amount of damages paid to the minority shareholders.

Moreover the Group is party to a number of legal actions. These actions are under continuous review and the necessary provisions made are based on an assessment of the risk of loss. Pending legal actions are not expected to have any significant impact on the financial position of the Group.

Note 20

Repo and reverse transactions

In connection with repo transactions, which involve selling securities to be repurchased at a later date, the securities remain on the balance sheet, and consideration received is recognised as a debt. Repo transaction securities are treated as assets provided as collateral for liabilities.

In connection with reverse transactions, which involve 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	21,386	21,301	15,737
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Assets purchased as part of reverse transactions

Bonds at fair value	18,554	13,518	10,751
Shares etc	-	-	1

Note 21

Collateral

At 31 March 2015 the Group had deposited as collateral securities at a market value of DKK 37m with Danish and foreign exchanges and clearing centres etc in connection with margin calls and securities settlements etc.

Note 22

Related parties

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

No unusual transactions took place with related parties in Q1 2015. Reference is made to the Group's 2014 Annual Report for a detailed description of related party transactions.

Notes

DKKm	Q1 2015	Q1 2014	Index 15/14	Full year 2014
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Note 23

Reporting events occurring after the balance sheet date

After the expiry of Q1, no matters of significant impact on the financial position of the Sydbank Group have occurred.

Note 24

Large shareholders

Silchester International Investors LLP owns more than 10% of Sydbank's share capital.

Note 25

Core income

Net interest etc	595	615	97	2,521
Mortgage credit *	96	78	123	359
Payment services	53	58	91	219
Remortgaging and loan fees	52	26	200	127
Commission and brokerage	132	92	143	351
Commission etc investment funds and pooled pension plans	87	85	102	339
Asset management	47	41	115	174
Custody account fees	19	20	95	80
Other income	34	40	85	149
Total	1,115	1,055	106	4,319

* Mortgage credit

Totalkredit cooperation	84	67	125	294
Totalkredit, set-off of loss	8	9	89	34
Totalkredit cooperation, net	76	58	131	260
DLR Kredit	19	16	119	88
Other mortgage credit income	1	4	-	11
Total	96	78	123	359

Notes

DKK m	Turnover	31 Mar 2015		31 Mar 2014	
		Turnover	Number of full-time staff	Turnover	Number of full-time staff

Note 26

Activity by country

Denmark, banking and leasing	1,196	2,048	1,210	2,116
Germany, banking	51	71	48	85
Switzerland, in liquidation	0	0	0	0
Total	1,247	2,119	1,258	2,201

Turnover is defined as interest income, fee and commission income and other operating income.

Note 27

Financial instruments recognised at fair value

Measurement of financial instruments is based on quoted prices from an active market, on generally accepted valuation models with observable market data or on available data that only to a limited extent are observable market data.

Measurement of financial instruments for which prices are quoted in an active market or which are based on generally accepted valuation models with observable market data is not subject to significant estimates.

As regards financial instruments where measurement is based on available data that only to a limited extent are observable market data, measurement is subject to estimates. Such financial instruments appear from the column unobservable inputs below and include unlisted shares and certain bonds for which there is no active market.

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 139m.

Notes

31 Mar 2015

DKKkm	Quoted prices	Observable inputs	Unobservable inputs	Total fair value	Recognised value
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Note 27 – continued

Financial assets

Amounts owed by credit institutions and central banks	-	10,712	-	10,712	10,712
Loans and advances at fair value	-	7,966	-	7,966	7,966
Bonds at fair value	-	27,970	-	27,970	27,970
Shares etc	200	21	1,427	1,648	1,648
Assets related to pooled plans	4,372	7,433	-	11,805	11,805
Other assets	126	13,465	-	13,591	13,591
Total	4,698	67,567	1,427	73,692	73,692

Financial liabilities

Amounts owed to credit institutions and central banks	-	20,010	-	20,010	20,010
Deposits and other debt	-	1,056	-	1,056	1,056
Deposits in pooled plans	-	11,811	-	11,811	11,811
Other liabilities	141	19,650	-	19,791	19,791
Total	141	52,527	-	52,668	52,668

DKKkm

31 Mar
201531 Mar
2014

Assets measured on the basis of unobservable inputs

Carrying amount at 1 Jan		1,392	1,357
Additions		24	25
Disposals		6	0
Market value adjustment		18	163
Value at end of period		1,428	1,545

Recognised in profit for the period

Interest income		-	-
Dividend		-	12
Market value adjustment		18	163
Total		18	175

Notes

DKKm

31 Mar
2015

Note 28

Acquisitions

On 31 March 2015 the Group acquired all activities of 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	5
Other assets	9
Prepayments	2
Total assets	57

Liabilities

Other liabilities	12
Total liabilities	12

Net assets acquired	45
Purchase price	45
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 0m for Q1 2015.

Management Statement

We have reviewed and approved the Interim Report – Q1 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 31 March 2015 and of the results of the Group’s and the parent company’s operations and consolidated cash flows for the period 1 January – 31 March 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, 29 April 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

Jacob Chr. Nielsen

Bo Normann Rasmussen

Lars Mikkelaard-Jensen

Frank Møller Nielsen

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 – First Half 2015
19 August 2015
- Interim Report – Q1-Q3 2015
27 October 2015

Sydbank contacts

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Relevant links

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