



Interim Report – Q1-Q3 2014

Sydbank's plan to increase profitability is generating results

Teleconference 28 October 2014

Agenda

- Interim financial statements for Q1-Q3 2014
 - Income
 - Costs (core earnings)
 - Impairment charges
 - Investment portfolio earnings
 - Financial highlights
- Follow-up on plan to increase profitability
 - Strengthening of income
 - Reduction in costs
 - Lower impairment charges
- Outlook for 2014
- Q&A



Highlights for 9M 2014

Key points

Sydbank's plan to increase profitability is generating results – ROE of 10.4% p.a.

Profit

Profit of DKK 828m – the best 9M result since 2007

Income

Core income of DKK 3,225m – 6% increase compared with 9M 2013

Costs

6% reduction in costs in Q3 compared with Q2 2014

Impairment charges

Impairment charges still at a low level in Q3 2014

Loans and advances

DKK 1.4bn rise in bank loans and advances, equal to 2.1% in Q1-Q3 2014

Capital

CET1 ratio of 14.8% – increase of 1.1% compared with Q4 2013

Expectations

Expectations for impairment charges unchanged DKK 700-800m

Core income – positive trend continues

DKKm	9M 2014	9M 2013	Index	Q3 2014	Q2 2014	Index
Net interest etc	1,890	1,939	97	641	634	101
Mortgage credit*	262	191	137	90	94	96
Payment services	165	123	134	57	50	114
Remortgaging and loan fees	81	66	123	33	22	150
Commission and brokerage	253	241	105	82	79	104
Commission etc investment funds and pooled pension plans	259	242	107	92	82	112
Asset management	132	125	106	45	46	98
Custody account fees	61	57	107	19	22	86
Other income	122	63	194	35	47	74
Total	3,225	3,047	106	1,094	1,076	102
* Set-off of loss Totalkredit	24	22	109	9	6	150

Key points 9M-14 vs 9M-13

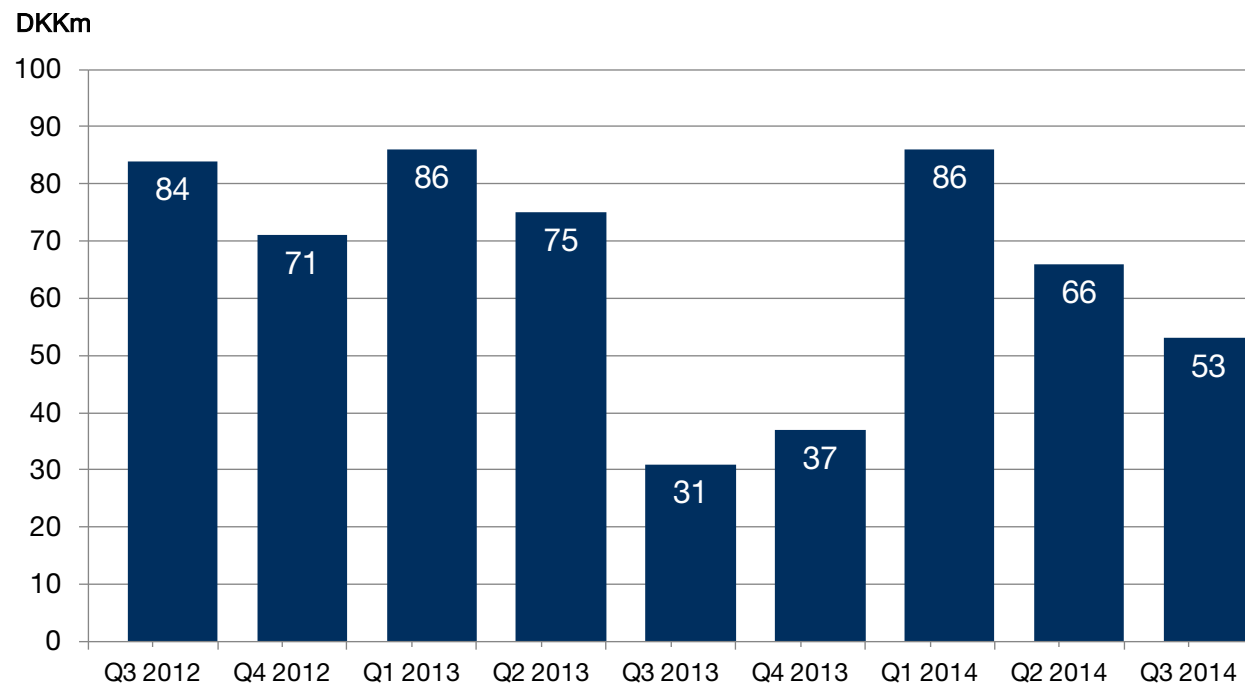
- Net interest etc down by 3%
- Mortgage credit up by 37%
- Payment services up by 34%
- Other items up by 14%

Key points Q3-14 vs Q2-14

- Net interest etc up by 1%; due to an extra day
- Other items up by 2%

Trading income – outlook for 2014 maintained

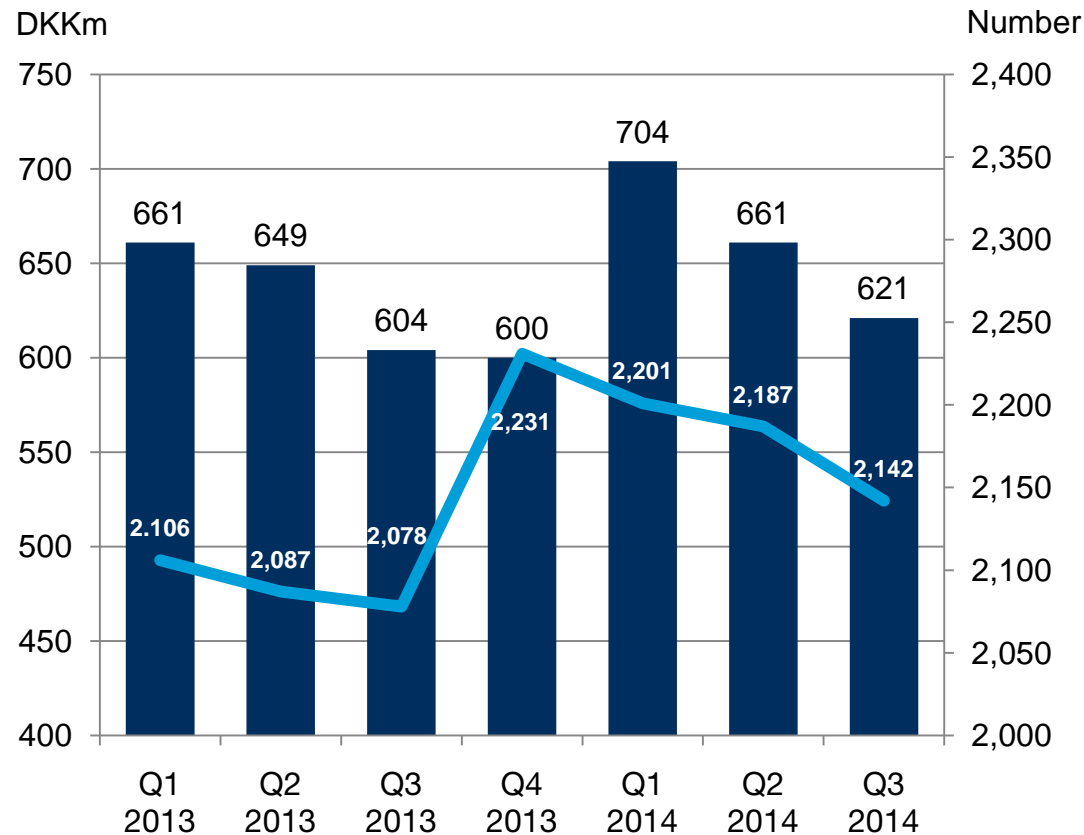
- Recorded DKK 205m in 9M 2014 vs DKK 192m in 9M 2013
- Still expectations for higher trading income in 2014 than in 2013



Trading income

DKKm	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014
Fixed Income	56	41	61	43	7	18	36	32	19
Equities	10	12	21	13	17	19	31	26	17
Money Market and Foreign Exchange	18	18	4	19	7	0	19	8	17
Total	84	71	86	75	31	37	86	66	53

Costs (core earnings) – declined by 6% from Q2 2014



■ Costs (core earnings) - (left axis)
— Full-time staff, number - (right axis)

- Q3 2014 only 2.8% higher than Q3 2013 despite acquisition of DiBa Bank.
- Decline of DKK 40m from Q2 2014 to Q3 2014.
- Reduction in staff of 89 in H1 2014, of which 45 in Q3 2014.

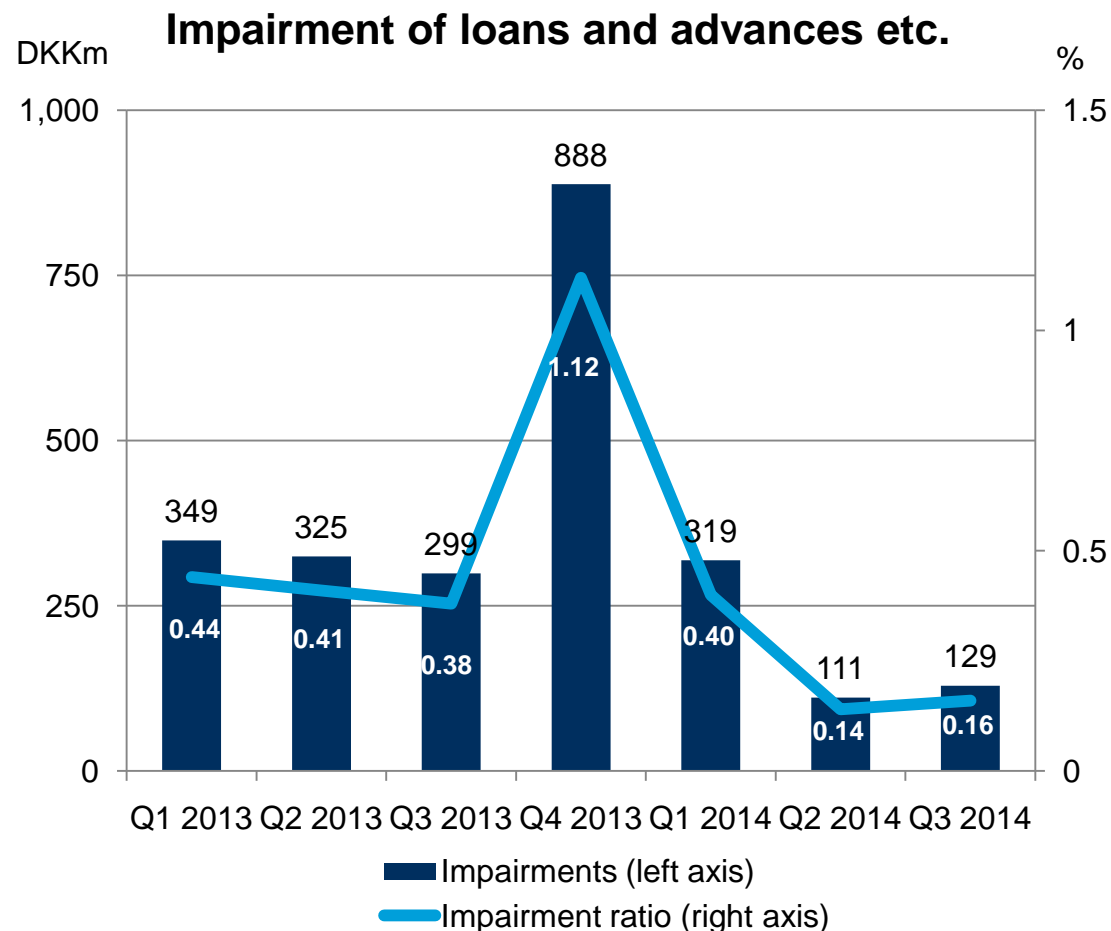
The asset quality review (AQR) and stress test show that Sydbank is among the strongest banks in Europe

- EU-wide exercise led by the ECB and the EBA in cooperation with the Danish FSA
- Review of the valuation of all significant assets combined with a stress test in which Europe is back in recession
- Supervisory assessment more comprehensive than previously
- Exercise began in November 2013
- Resulted in need for additional individual impairment charges of DKK 51m which were taken in Q1 2014
- Led to adjustments of collective impairment charges of DKK 24m. Adjustment has been implemented in Q3 2014
- The results of the adverse scenario show that Sydbank is among the strongest banks in Europe with a CET1 ratio of 12.9; 7.4 percentage points above the ECB's minimum requirement.



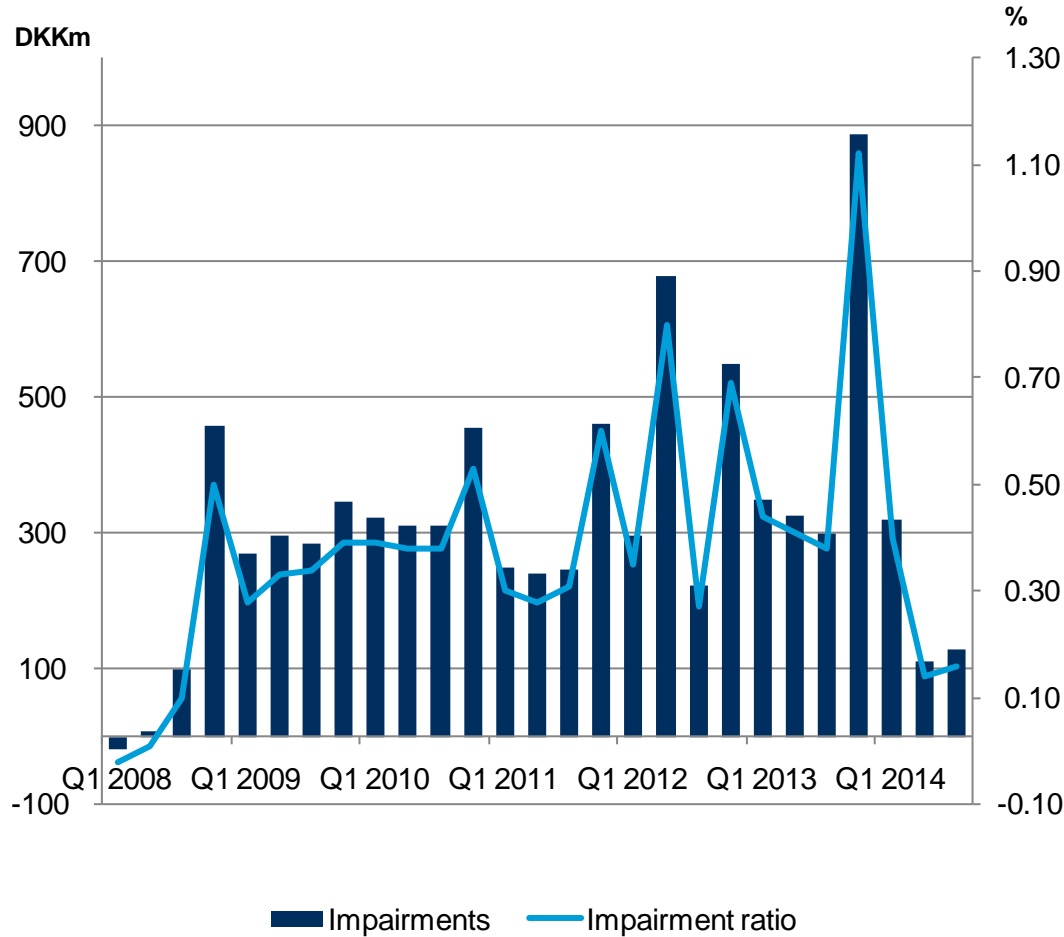
Impairment charges for loans and advances – expectations unchanged for 2014

- Impairment charges of DKK 129m in Q3 2014
- Additional collective impairment charges as a result of the AQR and agriculture
- Continuation of the low level from Q2 which saw one-off effects which reduced impairment charges by DKK 60m
- The effect of the AQR is included in impairment charges
- Impairment charges of around DKK 700-800m for 2014 are still expected.



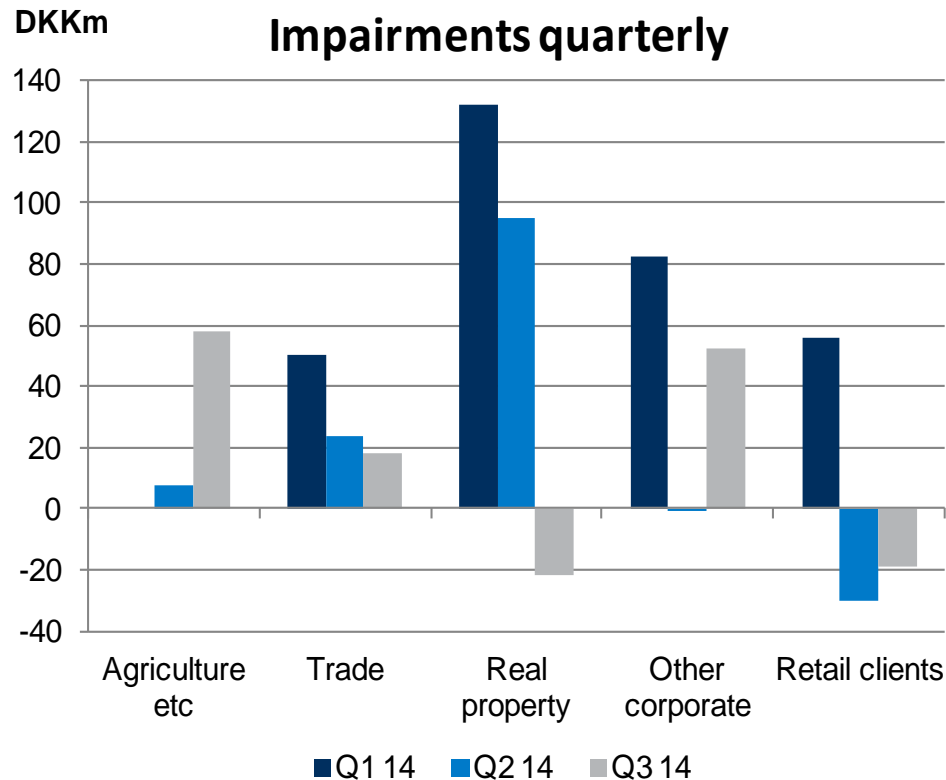
Impairment charges still at the same low level as in Q2 2014

Impairments, Q1 2008 to Q3 2014



A low level in Q3 2014 as well
 • 16bp of loans and advances and guarantees in Q3 2014

Industry breakdown of impairments – agriculture is the challenge



Key points

- Agriculture is adversely affected by the trend in settlement prices
- Reversal of impairment charges for real property in Q3
- Retail clients – reversals also in Q3
- Collective impairments include the effect of the AQR as well as an additional provision as regards agriculture

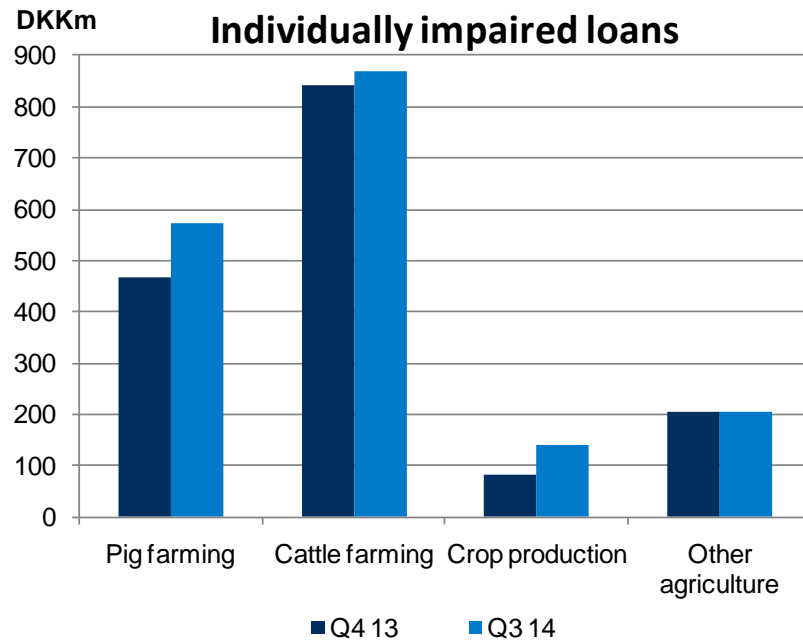
Breakdown of impairments 2014

DKKkm	Q1 2014	Q2 2014	Q3 2014	9M 2014
Agriculture etc	-	8	58	66
Trade	50	24	18	92
Real property	132	95	-22	205
Other corporate	82	-0	52	134
Total corporate	264	127	106	497
Retail clients	56	-30	-19	7
Individual impairments	320	97	87	504
Collective impairments	-1	14	42	55
Total impairments	319	111	129	559

Focus on agriculture – a sector with challenges

Key points

- Impaired loans for agriculture is up with DKK 191m, equal to 2.9% of loans and advances
- Impairments in percentage terms of impaired loans and advances have declined by 5.1%, due to higher prices of agricultural land as well as winding-up of non-performing exposures.



30th September 2014

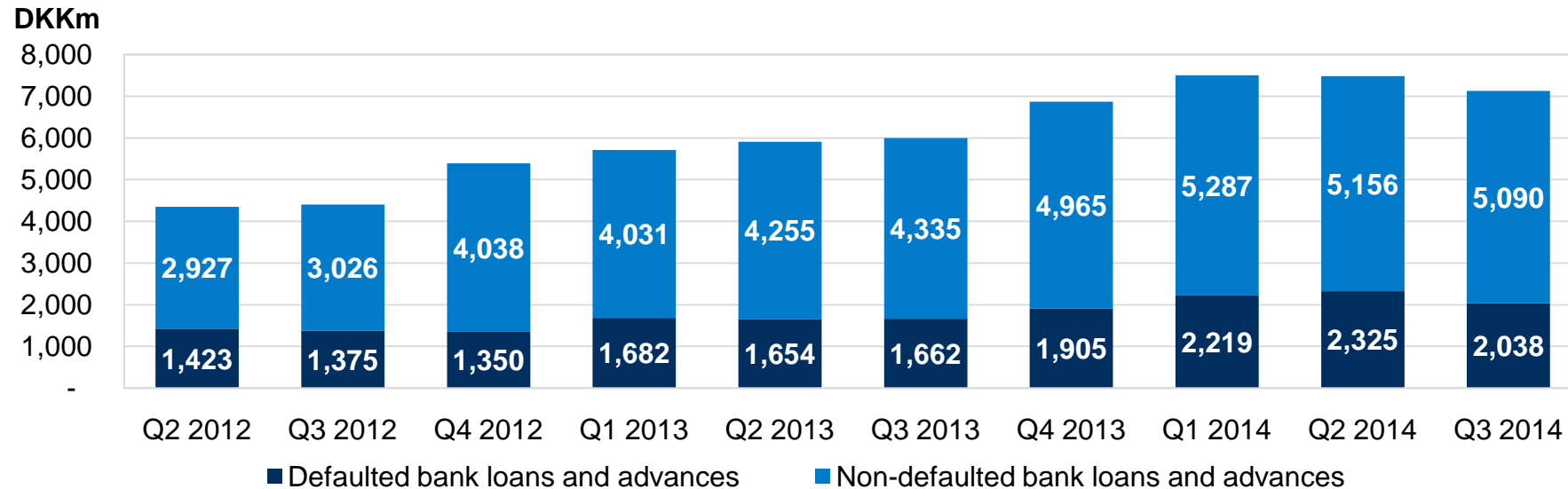
DKKm	Pig farming	Cattle farming	Crop production	Other agriculture	Total
Loans and advances	2,014	1,916	1,441	1,281	6,652
Individual impairments	274	553	55	126	1,008
Loans after impairments	1,740	1,363	1,386	1,155	5,644
Impaired loans	574	869	141	205	1,789
Impaired loans as % of loans	28.5	45.4	9.8	16.0	26.9
Impairment as % impaired loans	47.7	63.6	39.0	61.5	56.3

31st December 2013

DKKm	Pig farming	Cattle farming	Crop production	Other agriculture	Total
Loans and advances	2,018	2,005	1,354	1,270	6,647
Individual impairments	245	581	40	115	981
Loans after impairments	1,773	1,424	1,314	1,155	5,666
Impaired loans	466	842	84	206	1,598
Impaired loans as % of loans	23.1	42.0	6.2	16.2	24.0
Impairment as % impaired loans	52.6	69.0	47.6	55.8	61.4

Impaired bank loans and advances – 5% down in Q3 2014

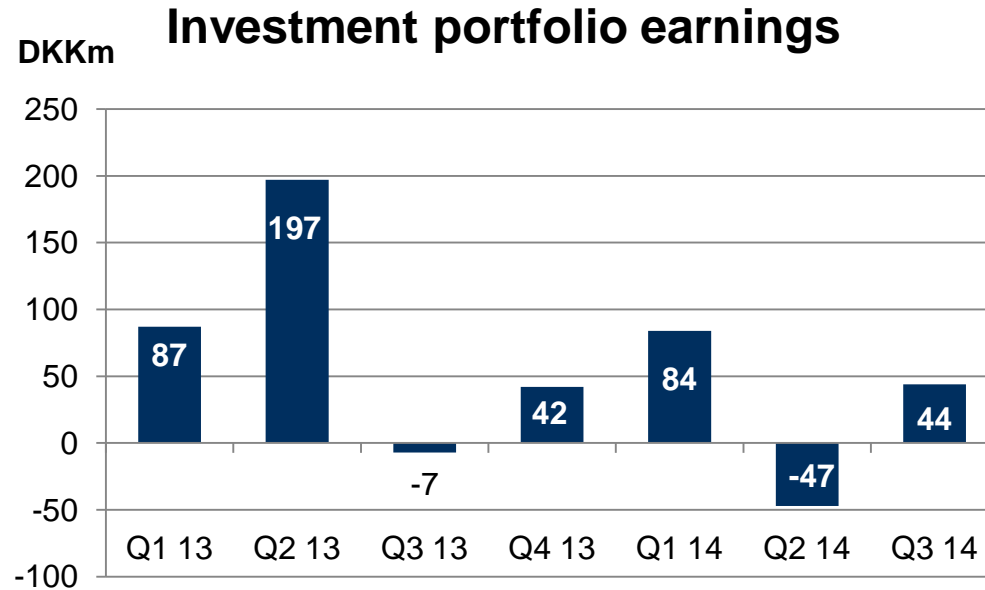
Breakdown of impaired bank loans and advances



Individually impaired bank loans and advances

DKKm	30 Sep 2013	31 Dec 2013	30 Sep 2014
Non-defaulted bank loans and advances	4,335	4,965	5,090
Defaulted bank loans and advances	1,662	1,905	2,038
Impaired bank loans and advances	5,997	6,870	7,128
Impairment charges for bank loans and advances subject to individual impairment	3,195	4,058	4,166
Impaired bank loans and advances after impairment charges	2,802	2,812	2,962
Impaired bank loans and advances as % of bank loans and advances before impairment charges	8.5	9.7	9.9
Impairment charges as % of bank loans and advances before impairment charges	4.5	5.7	5.8
Impaired as % of impaired bank loans and advances	53.3	59.1	58.4
Impairment charges as % of defaulted bank loans and advances	192.2	213.0	204.4

Investment portfolio earnings – “business as normal” in Q3 2014



- Flat markets generates returns without major fluctuations in Q3 2014
- No exceptional events in Q3 2014

Investment portfolio earnings

DKKm	Q1 2014	Q2 2014	Q3 2014	9M 2014
Position-taking	62	-17	37	82
Liquidity generation and liquidity reserves	24	-1	6	29
Strategic positions	0	-27	2	-25
Costs	-2	-2	-1	-5
Total	84	-47	44	81

Income statement – the best 9M result since 2007

DKKm	9M 2014	9M 2013	Index	Q3 2014	Q2 2014	Index
Core income	3.225	3.047	106	1.094	1.076	102
Trading income	205	192	107	53	66	80
Total income	3.430	3.239	106	1.147	1.142	100
Costs, core earnings	1.986	1.914	104	621	661	94
Core earnings before impairment	1.444	1.325	109	526	481	109
Impairment of loans and advances etc	559	973	57	129	111	116
Core earnings	885	352	251	397	370	107
Investment portfolio earnings	81	277	29	44	-47	-94
Profit before non-recurring items and industry solutions	966	629	154	441	323	137
Non-recurring items, net	84	-13	-	-23	-22	-
Profit before tax	1.050	616	170	418	301	139
Tax	222	147	151	104	73	142
Profit for the period	828	469	177	314	228	138

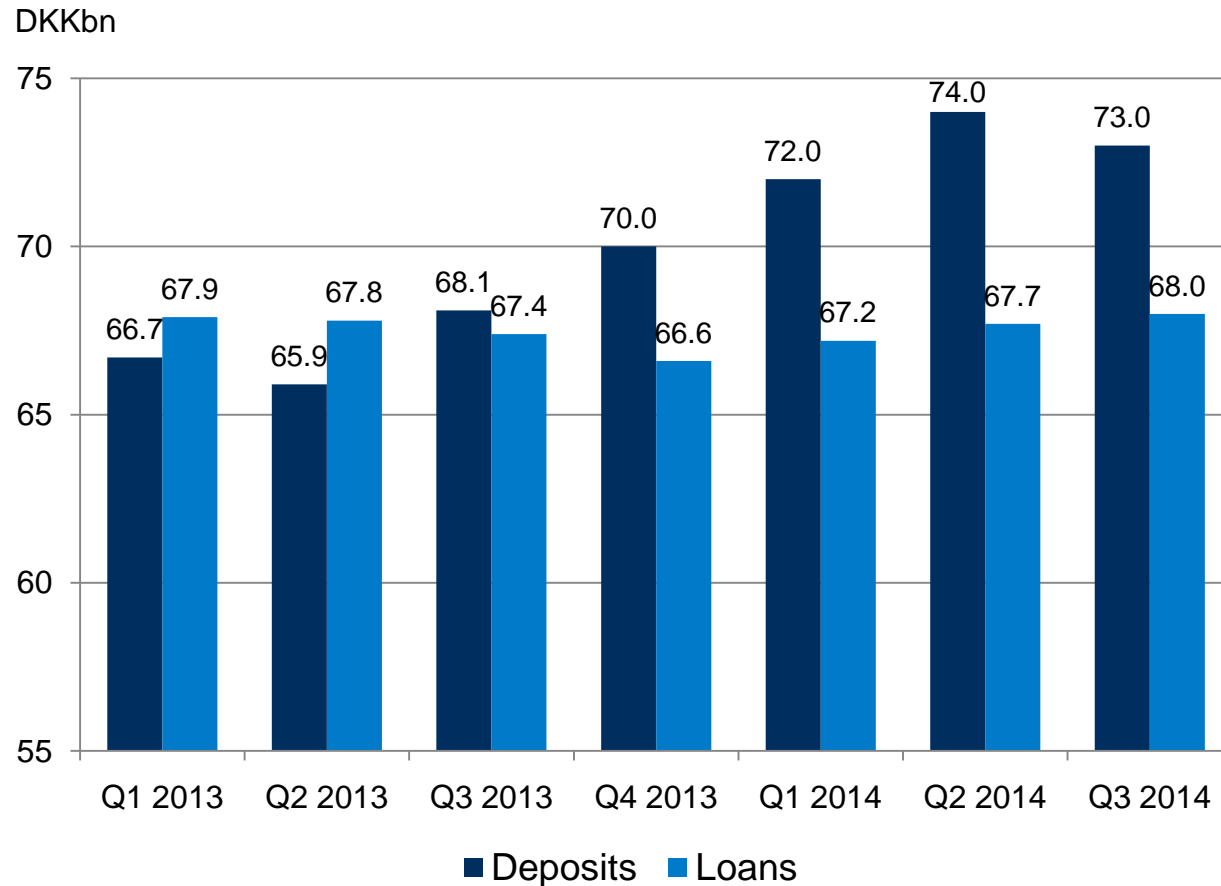
Key points 9M 14 vs 9M 13

- Core income up by 6%
- Costs (core earnings) up by 4%
- Impairment charges down by 43% from 124bp to 68bp
- Non-recurring items, primarily Nets and integration of DiBa
- Profit up by 77%

Key points Q3 14 vs Q2 14

- Core income up by 2%
- Costs (core earnings) down by 6%
- Impairment charges up by 16% from 14bp to 16bp
- Core earnings in Q3 2014 – the best in more than 6 years

Rise in loans – decline in deposits in Q3 2014



- Loans and advances rose every quarter in 2014; by a total of 2.1% in 2014.
- Deposits declined by DKK 1bn in Q3 2014. Nonetheless deposits rose by DKK 3bn for 2014, equal to 4.3%.

Capital ratios have strengthened further in Q3 as a result of earnings and lower market risk

DKKm	CRD IV			
	2013	Q1 2014	Q2 2014	Q3 2014
Risk-weighted assets	71,499	72,205	71,310	69,432
CET1	9,799	9,930	10,063	10,307
Tier 1	11,037	11,037	11,171	11,414
Total capital	11,586	11,416	11,545	11,787
CET1 ratio	13.7	13.8	14.1	14.8
Tier 1 ratio	15.4	15.3	15.7	16.4
Total capital ratio	16.2	15.8	16.2	17.0
Individual Solvency need	10.0	10.0	10.1	10.0

Key points

- CET1 ratio up by 0.7 in Q3 and 1.1 YTD
- Total capital ratio up by 0.8 in Q3 and YTD
- RWA down by DKK 2,067m YTD. DKK 1,823m regarding market risk

Follow-up on plan to improve Sydbank's profitability

Higher returns to shareholders:

Payout ratio of
30% to 50%

**Improved
profitability**

**Strengthening
of income**

**Reduction in
costs**

**Lower
impairment
charges**

Strengthening of income – target within reach

Implemented measures in Q3 2014

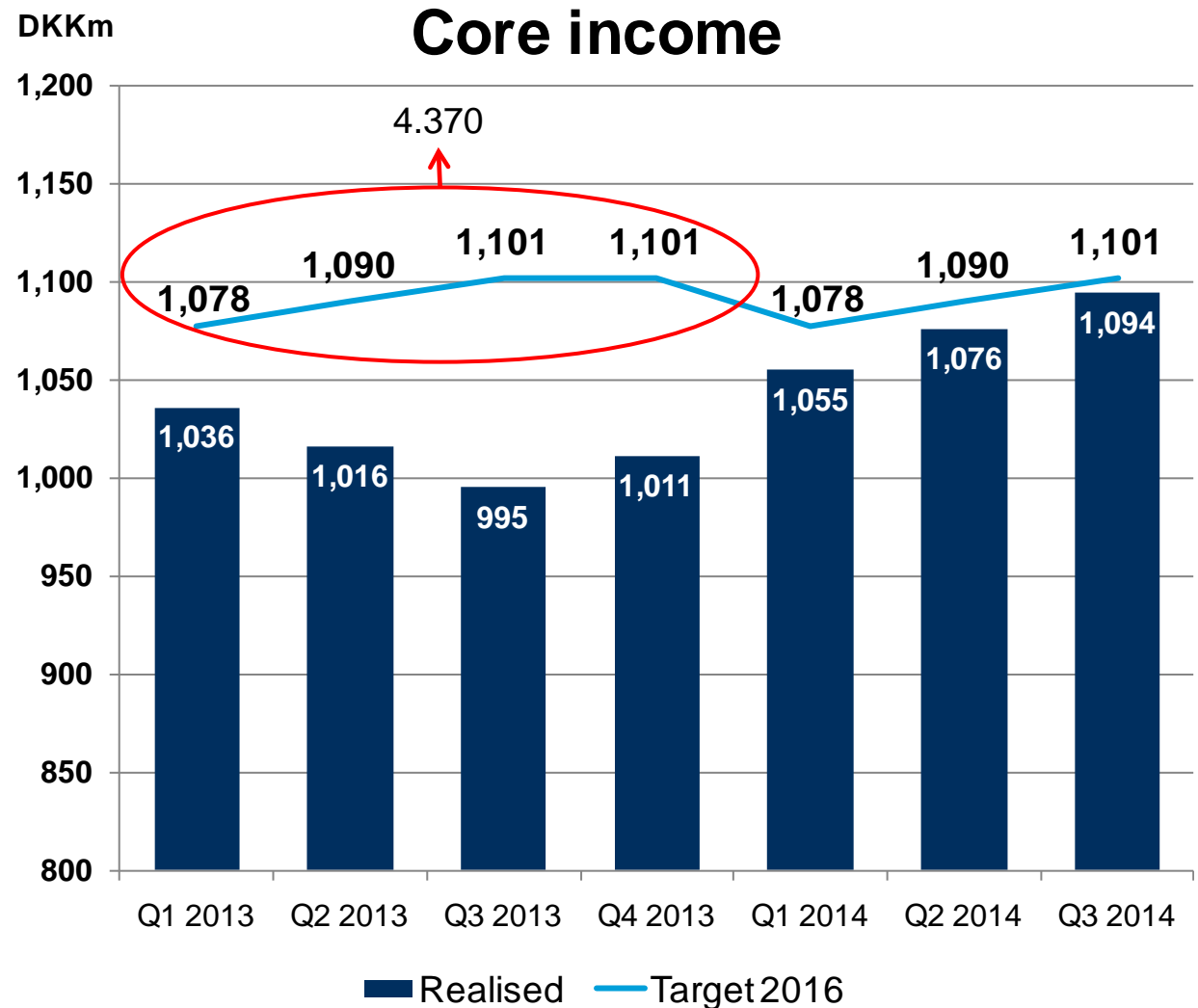
- Take out loans – anticipated annual effect of DKK 5m
- Higher meeting frequency with clients
- Price adjustment from Totalkredit with effect from 1 January 2015 – projected annual effect of DKK 30m

Ongoing measures

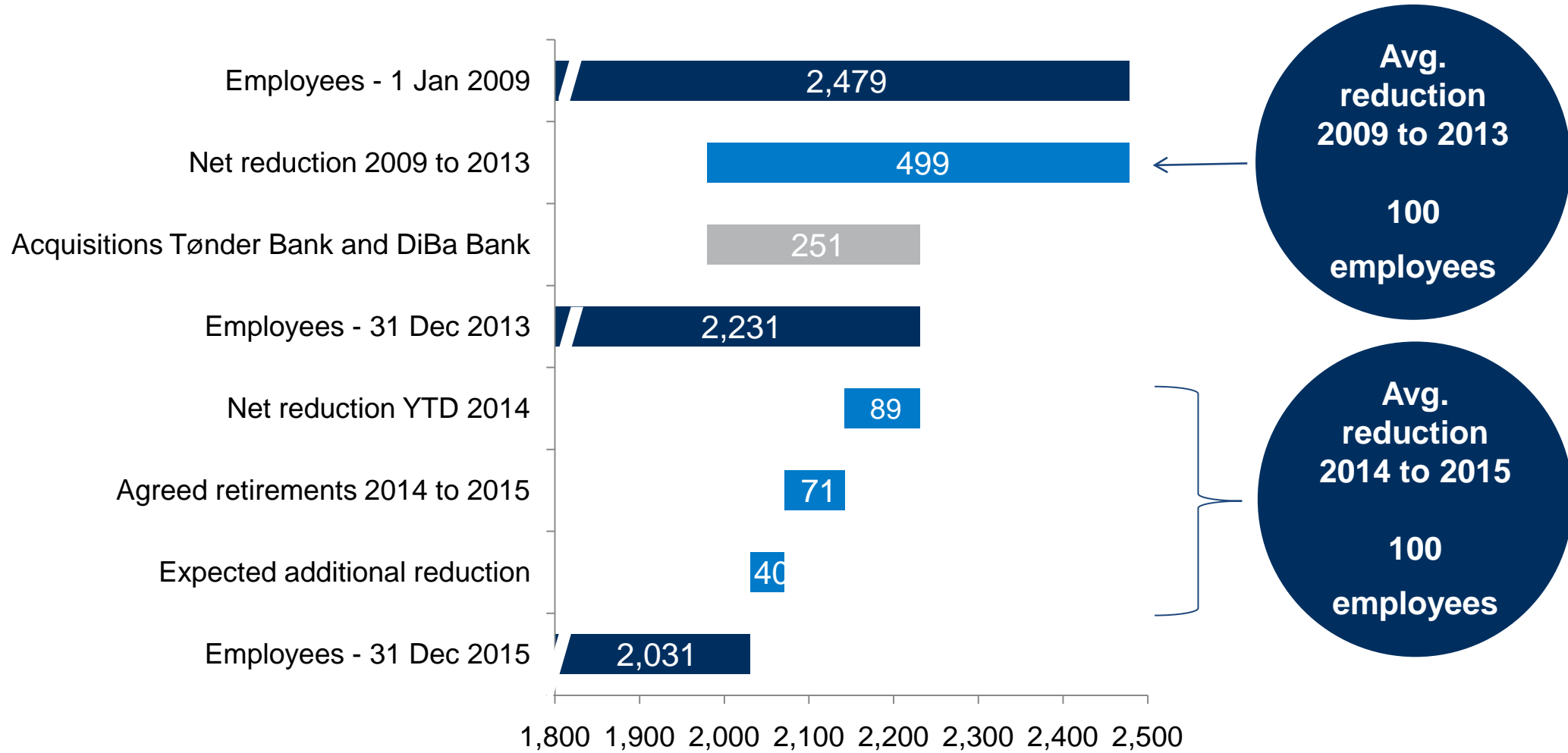
- DKKm 3bn increased volume of mortgage loans – anticipated annual effect of DKK 40m (at 50% use).
- Increased business volume as a result of targeted advisory services.

Difference between realised core income and target for 2016 quarterly

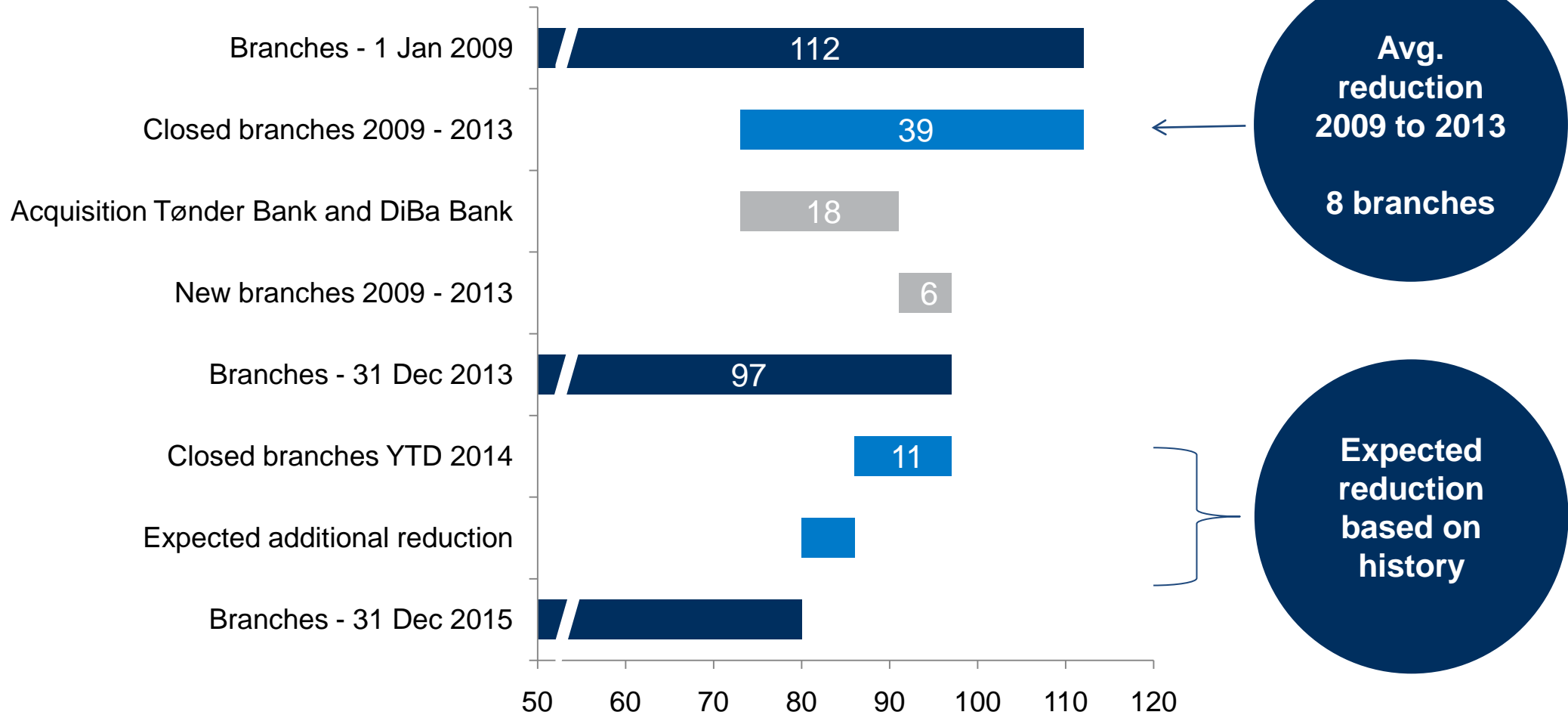
- Q4 2013 DKK 50m
- Q1 2014 DKK 23m
- Q2 2014 DKK 14m
- Q3 2014 DKK 7m



Reduction in costs – reduction in staff – continued focus on target – net reduction of 45 employees in Q3 2014



Reduction in costs – reduction in number of branches in Denmark – 4 branches closed in Q3 2014

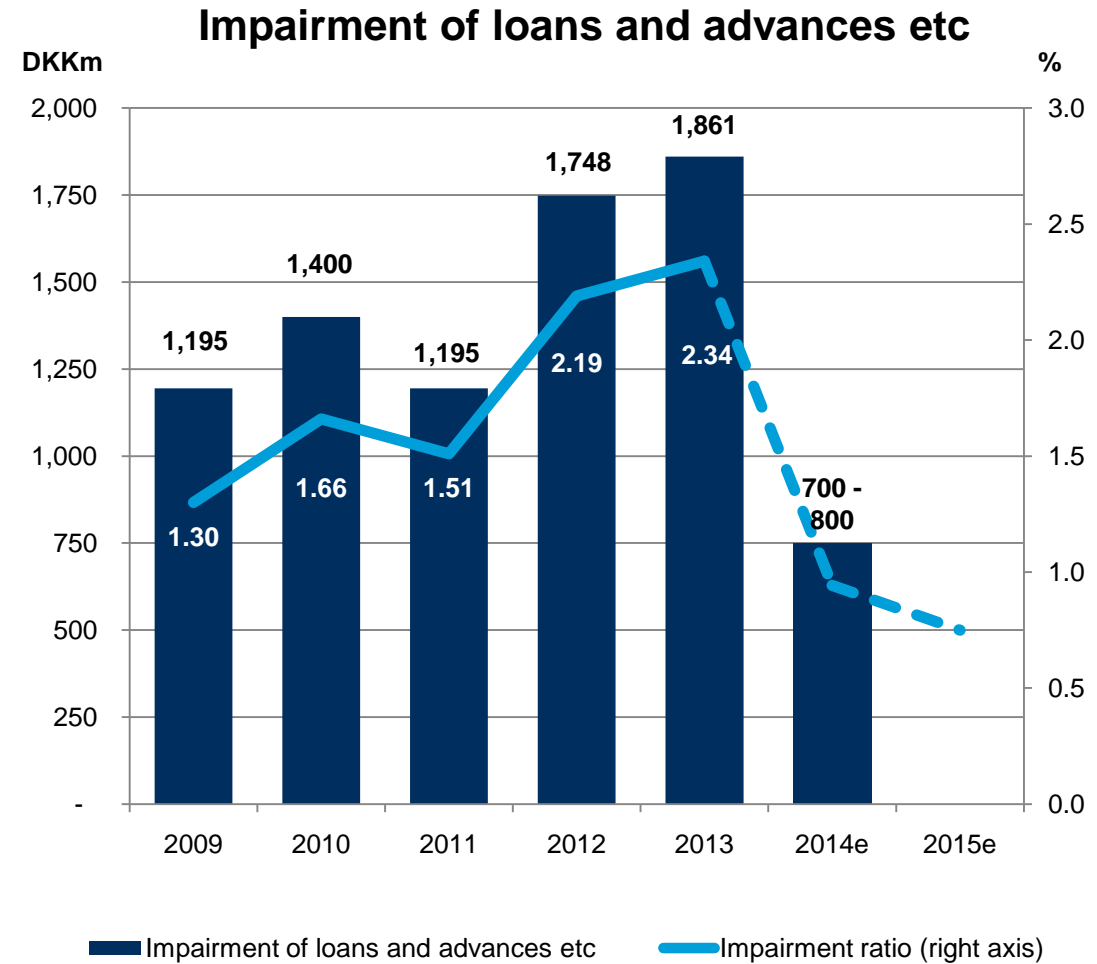


Clients will choose other service forms. This will reduce the need for branches.

Lower impairment charges – extraordinary review of portfolios

- ✓ Q4 2013: Corporate exposures > DKK 10m
- ✓ Q1 2014: Corporate exposures < DKK 10m as well as real property
- ✓ Q2 2014: Retail clients
- ✓ Q3 2014: Corporate exposures a new review
- ✓ Q1 – Q4 2014: AQR

Continued strengthening of systems, processes, data quality, error control and education



Outlook for 2014

- Rise in core income as a result of the acquisition of DiBa Bank and implemented measures
- Increase in trading income due in part to the acquisition of DiBa Bank, however highly dependent on financial market developments
- Rise in costs (core earnings) as a result of the acquisition of DiBa Bank
- Impairment charges for loans and advances of around DKK 700-800m
- Integration and restructuring costs of around DKK 75m

Q&A

Thank you

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