

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.

Additional information

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Karen Frøsig, CEO, Bjarne Larsen, Deputy Group Chief Executive, and Jørn Adam Møller, CFO, will present the Interim Report today at 10.00 (CET) at a teleconference. The teleconference will be held in Danish and may be attended via www.sydbank.dk/omsydbank

Danish attendees are invited to call 70 22 35 00. International attendees are invited to call +44 207 57 21 187. Please quote the following code: 83295715#