

Sydbank's Interim Report – Q1-Q3 2015

Sydbank delivers solid performance – growth in lending for seventh consecutive quarter

On the back of solid Q1-Q3 financial statements Sydbank today presents a new 3-year strategy plan to secure that the positive trend since the beginning of 2014 continues. The strategy is called Blue growth and aims to realise a return on shareholders' equity of a minimum of 12%.

CEO Karen Frøsig comments:

- We have delivered a solid Q1-Q3 performance and we are pleased. We have recorded growth in lending for the seventh quarter in a row but we are particularly pleased to note that impairment charges continue the favourable trend that we have seen since the beginning of 2014.

On Sydbank's new 3-year strategy plan she comments:

- Blue growth is an ambitious strategy to ensure that Sydbank continues the positive development we are experiencing. On the basis of our high customer satisfaction we aim to provide high-quality, sound and profitable banking with customers at the centre. Blue growth articulates Sydbank's way of running a bank, namely in a profitable, down-to-earth, simple and co-operative manner.

She elaborates:

- We are a large national bank – but with the proximity, speed and flexibility of a local bank. We believe that we can provide the best of both worlds – giving our customers the flexibility they seek through digital solutions while at the same time offering competent advice in connection with big decisions such as buying a house or setting up a pension scheme. We aim to develop in line with customer needs and we see digital solutions as a natural part of our relationship with customers.

Blue growth – financial targets for the period 2016-2018

- Realise a return on shareholders' equity of a minimum of 12% 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
- Increase core income by a minimum of DKK 50m each year
- Reduce costs by DKK 50m annually – in 2015 prices
- Average impairment charges of a maximum of 50 basis points during one economic cycle.

Q1-Q3 results – highlights

- Profit of DKK 832m, equal to a return on shareholders' equity of 9.8% p.a. after tax.
- Core income of DKK 3,289m – an increase of 2% compared with Q1-Q3 2014. This is a historically high income.
- Total income of DKK 3,456m – up 1% compared to the same period in 2014.
- Impairment charges for loans and advances represent DKK 272m and have declined by 51% compared with Q1-Q3 2014.
- Bank loans and advances have risen by DKK 3.9bn, equal to 5.8% in 2015.
- The Common Equity Tier 1 capital ratio has climbed by 0.5 percentage points in Q1-Q3 2015 and constitutes 14.4%.
- Tier 2 capital worth EUR 100m has been issued.
- A share buy-back programme of DKK 500m was commenced on 13 April 2015.

Outlook for 2015

Sydbank projects limited positive economic growth in 2015. Furthermore we expect:

- Unchanged core income relative to income for 2014 due to continued fierce competition and the negative interest rate environment and despite an increase in bank loans and advances.
- Unchanged trading income relative to income for 2014 but dependent on financial market developments.

- Unchanged costs (core earnings) – despite the general pay rises agreed for the financial sector of 1.75% and a payroll tax increase of 0.80%.
- Significantly lower impairment charges in 2015.

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

Additional information

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Karen Frøsig, CEO, Bjarne Larsen, Deputy Group Chief Executive, and Jørn Adam Møller, CFO, will present the Q1-Q3 Report today at 13.00 (CET) at a teleconference. The teleconference will be held in Danish and may be attended via www.sydbank.dk/audiocast.

Attendees, please call by 12.55 (CET). 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: 61807336#