

Sydbank's Interim Report – Q1 2016

Continued tight rein on costs and credit quality ensures satisfactory start to 2016

Sydbank has got off to a satisfactory start in 2016: solid performance – with growth in lending for the ninth consecutive quarter. The Bank's loans and advances have risen by DKK 1.9bn and the Bank's impairment charges have fallen by 67% compared with one year ago. Moreover the financial statements show a decline in the Bank's costs (core earnings). In 2016 and 2017 Sydbank will allocate extra resources to develop customer-oriented digital solutions.

CEO Karen Frøsig comments:

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

On Sydbank's Q1 result she comments:

- Core income and consequently the result are slightly below the projections presented in the 2015 financial statements. This is mainly attributable to the Group's adjustment of prices due to the market situation that arose when the Group's mortgage loan provider announced increases in administration margins on mortgage loans. The reasons why the overall decline in profit is limited to DKK 34m are a sharp decline in impairment charges of 67% as well as a drop in costs (core earnings).

She elaborates:

- In 2016 Sydbank will accelerate process automation and DKK 25m will be allocated annually in 2016 and in 2017 to optimise IT systems. Clients and employees alike will experience improvements. Specifically the projects include optimisation of housing loan processes and improved integration of credit processes. Both projects will contribute to developing the Bank as well as make it possible to adjust costs.

Q1 2016 – highlights

- Profit of DKK 283m, equal to a return on shareholders' equity of 10.1% p.a. after tax.
- Core income of DKK 1,050m – a decline of 6% compared to the same period in 2015 when core income was historically high.
- Total income of DKK 1,104m – a drop of 10% compared to the same period in 2015.
- Impairment charges for loans and advances represent DKK 38m and have declined by 67% compared with the same period in 2015.
- Bank loans and advances have risen by DKK 1.9bn, equal to 2.6%.
- The Common Equity Tier 1 capital ratio has declined by 0.1 percentage points and constitutes 14.4%.
- A share buyback programme of DKK 350m was commenced on 29 February 2016.

Outlook for 2016

Sydbank projects limited positive economic growth in the Danish economy in 2016.

Furthermore Sydbank expects:

- a slight decline in core income due to price adjustments as a result of the turmoil that arose following the announcement of increases in administration margins on mortgage loans.
- unchanged trading income relative to income for 2015 but dependent on financial market developments.
- a reduction in costs (core earnings) – in spite of the general pay rises agreed for the financial sector of 1.80% and a payroll tax increase of 1.40% – as a result of the measures implemented and the discontinuation of payments to the deposit guarantee scheme.
- lower impairment charges in 2016. The uncertainty surrounding price developments in the agricultural sector may however affect impairment charges.

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/audiocast

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: 73246075#