

Sydbank's Interim Report – First Half 2016

Falling costs and high credit quality ensure satisfactory development in performance

Sydbank has delivered a solid performance for the first half of 2016 and continues the positive trend. The Bank's loans and advances have risen by DKK 4.5bn whereas the Bank's impairment charges have fallen by 63% 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:

- Despite a difficult market situation growth in lending continues and a high credit quality is maintained. The fact that lending has grown for the 10th consecutive quarter is not only positive for the Bank but also for customers and ultimately society, which needs investments and growth. We are also pleased that our impairment charges remain at a low level and that our ongoing efforts to reduce the Bank's costs have a positive effect on performance.

Sydbank cancels agricultural debt worth DKK 500m. Karen Frøsig comments:

- Sydbank aims to find good solutions for and together with our customers. The purpose of the government's agricultural package, which is supported by the financial sector, is to create better prospects for the most efficient but indebted farmers who have a future in Danish agriculture. Sydbank wishes to contribute to creating prospects for the most efficient farms with a negative equity and consequently we will offer them the option to convert part of their bank debt to subordinated loan capital during the second half of 2016. This measure will not strain our customers, shareholders or the Bank but it will convert debt of DKK 500m, which has already been written down.

On Sydbank's 1H result she comments:

- We are pleased to note an increase in profit after tax of DKK 113m compared with 1H 2015. The improvements in costs, impairment charges, investment portfolio earnings and non-recurring items more than make up for the decline in income and this is what creates the increase in profit. The level of activity and the figures for the first six months show that Sydbank is a relevant and excellent bank that masters the balance between personal and digital relationships by offering the best of both worlds. This is characteristic of Sydbank's values and key to our Blue growth strategy.

1H 2016 – highlights

- Profit of DKK 643m. This is equal to a return on shareholders' equity of 11.4% p.a. after tax.
- Core income of DKK 2,101m. This is a decline of 6% compared to the same period in 2015 when core income was historically high.
- Total income of DKK 2,224m. This is a drop of 7% compared with the same period in 2015.
- Impairment charges for loans and advances represent DKK 81m and have declined by 63% compared with the same period in 2015.

- Bank loans and advances have risen by DKK 4.5bn, equal to 6.0%.
- The Common Equity Tier 1 capital ratio has climbed by 0.3 percentage points and constitutes 14.8%.
- 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 we expect:

- a slight decline in core income relative to income for 2015.
- 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.

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: 79545084#