

## Sydbank's 2016 Annual Report

A highly satisfactory result – due to low impairment charges, reduced costs and satisfactory investment portfolio earnings – ensures a record-high dividend distribution and a new share buyback programme of DKK 664m, bringing total distribution to DKK 1,400m equivalent to 95% of profit for the year after tax.

Sydbank's 2016 financial statements show a profit before tax of DKK 1,869m compared with DKK 1,473m in 2015. The improvement is due to lower impairment charges, reduced costs and satisfactory investment portfolio earnings. Profit before tax equals a return of 16.6% p.a. on average shareholders' equity. The profit exceeds the expectations presented in the 2015 financial statements. Profit for the year equals a return of 13.1% on average shareholders' equity after tax.

CEO Karen Frøsig comments on the year's result:

– I am very satisfied with the continued positive development in Sydbank in line with our strategic plan "Blue growth". 2016 ended better than expected at the beginning of the year. And the financial statements make it clear that Sydbank is a strong independent bank where loyal customers and competent employees contribute to the good result for the year. At the same time the reduction in total costs illustrates our structured and targeted efforts to operate our bank in a simple and efficient way for the benefit of our many customers.

Chairman of Sydbank's Board of Directors Torben Nielsen elaborates:

– We have generated a return of 13.1% on shareholders' equity, increased total lending in a highly competitive market and ensured a record-high distribution to shareholders. This is a result of efficient banking and contributes to ensuring that Sydbank will remain an independent and resourceful bank.

### 2016 highlights

- A 3% decrease in core income
- A 10% rise in trading income
- A 3% reduction in costs (core earnings)
- A 72% decline in impairment charges for loans and advances
- A rise in core earnings of DKK 205m to DKK 1,758m
- Investment portfolio earnings of DKK 104m
- Bank loans and advances of DKK 77.2bn (2015: DKK 74.3bn)
- Deposits of DKK 81.1bn (2015: DKK 79.9bn)
- A capital ratio of 19.2%, including a Common Equity Tier 1 capital ratio of 16.1%
- An individual solvency need of 10.2%
- A proposed dividend of DKK 10.46 per share.

### 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 projected 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 expected to rise slightly despite the measures implemented.

Impairment charges for 2017 are forecast to be on a par with the impairment charges recorded for 2016. The uncertainty surrounding price developments in the agricultural sector may however affect impairment charges.

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 2016 Annual Report today at 10.00 (CET) at a teleconference. The teleconference will be held in Danish and may be attended via [http://www.qbrick.dk/sydbank/Aarsrapport\\_2016.html](http://www.qbrick.dk/sydbank/Aarsrapport_2016.html)

Danish attendees are invited to call 70 22 35 00. International attendees are invited to call +44 (0) 207 57 21 187. Please quote the following code: 44646362#