

Sydbank's Interim Report – Q1 2017

Strong trading income, high investment portfolio earnings and continued high credit quality ensure very satisfactory start to 2017

Sydbank has delivered a highly satisfactory performance for the first three months of 2017 and continues the positive trend. Trading income as well as investment portfolio earnings are at a very high level for the first quarter. Impairment charges have declined by 71% compared to the first quarter of 2016. The Bank's loans and advances have effectively increased by DKK 0.4bn adjusted for the effect of the amended agreement concerning the funding of mortgage-like loans.

CEO Karen Frøsig comments on Sydbank's Q1 result:

- It is highly satisfactory to note an increase of DKK 164m in profit after tax compared with the same period in 2016. The increase in profits is driven by improvements in trading income, impairment charges and investment portfolio earnings. Profit after tax equals a return of 15.5% p.a. on shareholders' equity.

CEO Karen Frøsig elaborates:

- Prospects for the rest of 2017 give rise to cautious optimism. The financial health of the Bank's customers is generally good. In 2017 Sydbank will step up measures that will strengthen our business model for the benefit of customers and employees. Consequently DKK 75m has been allocated extraordinarily for the digitisation of the Bank as well as the establishment of a new mortgage platform.

Q1 2017 – highlights

- Profit of DKK 447m, equal to a return on shareholders' equity of 15.5% p.a. after tax.
- Core income of DKK 1,053m on a par with the level in the same period in 2016.
- Total income of DKK 1,146m – up 4% compared to the same period in 2016.
- Impairment charges for loans and advances represent DKK 11m and have declined by 71% compared with the same period in 2016.
- Bank loans and advances have declined by DKK 5.3bn, equal to 6.9% compared to year-end 2016. Adjusted for the decline of DKK 5.7bn as a result of the funding of mortgage-like loans, bank loans and advances have effectively increased by DKK 0.4bn during the quarter.
- The Common Equity Tier 1 capital ratio has declined by 0.5 percentage points compared to year-end 2016 and constitutes 15.6%.
- 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.
- Unchanged trading income relative to income for 2016 but 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 in 2017 are forecast to be on a par with the impairment charges recorded in 2016. The uncertainty surrounding price developments in the agricultural sector may however affect impairment charges.
- As a result of intensified digitisation 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: 88937669#