



Presentation – Sydbank

Aabenraa September 2018

Agenda

1. Executive Summary
2. Sydbank Credit Update
3. Macroeconomic Update
4. MREL and Proposed Transaction Summary
5. Concluding Remarks
6. Financial Statements



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Executive summary: Sydbank in Brief

Macro-economic operating environment

Highly satisfactory result for 2017 – record dividend of DKK 11.31 per share

Business model

Banking in Denmark and Northern Germany – use of sub-suppliers

Profit

Profit of DKK 1,531m

Impairment charges

Impairment charges for loans and advances represent income of DKK 51m in 2017

Capital

CET1 ratio of 17.3% and total capital ratio of 20.8% as of YE2017

Funding and liquidity

Robust funding model with LCR of 176% as of YE2017

Dividend

Dividend of DKK 11.31 per share and a total share buy-back programme of DKK 1,250m in 2018

Solid rating position

Moody's Baa1 (long term debt rating and long term deposit rating A2 and both on positive outlook)

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Business profile

Business model	Clients
<ul style="list-style-type: none"> • Nationwide Danish bank with operations in Germany • All-round bank in terms of clients • Full-service bank • Production of classic banking products supplemented by sub-suppliers within eg mortgage, insurance and pension • Decentralised structure regarding clients • Centralised structure regarding risk and cost management 	<ul style="list-style-type: none"> • Relationship with clients based on long-term relations • Advisory bank with focus on creating value for money for clients • Focus on: <ul style="list-style-type: none"> ➤ SMEs ➤ Retail clients – customer segmentation program ➤ Private banking
Distribution channels and subsupplier strategy	Customer satisfaction etc.
<ul style="list-style-type: none"> • Nationwide branch network • Service via centralised customer service unit • Enhancement of electronic solutions – the first electronic documents for signature was introduced in 2013 • Joint branch operations and larger branches • Mortgage: DLR, Nykredit and Totalkredit • Pension/Insurance: Letpension, PFA, Topdanmark • Asset management: Mainly Sydinvest, BankInvest 	<ul style="list-style-type: none"> • The Danish Consumer Council – excellent investment consulting – magazine "TÆNK Penge" recommends Sydbank

Market position

Sydbank

Market data

Market share – Denmark	6-13%
Market share – Danish corporate market (SMEs)	12-13%
Market share – Danish retail market	5-6%
Number of branches – Denmark	62
Number of branches – Germany	3

* Sydbank A/S has one shareholder > 5% of the shares.



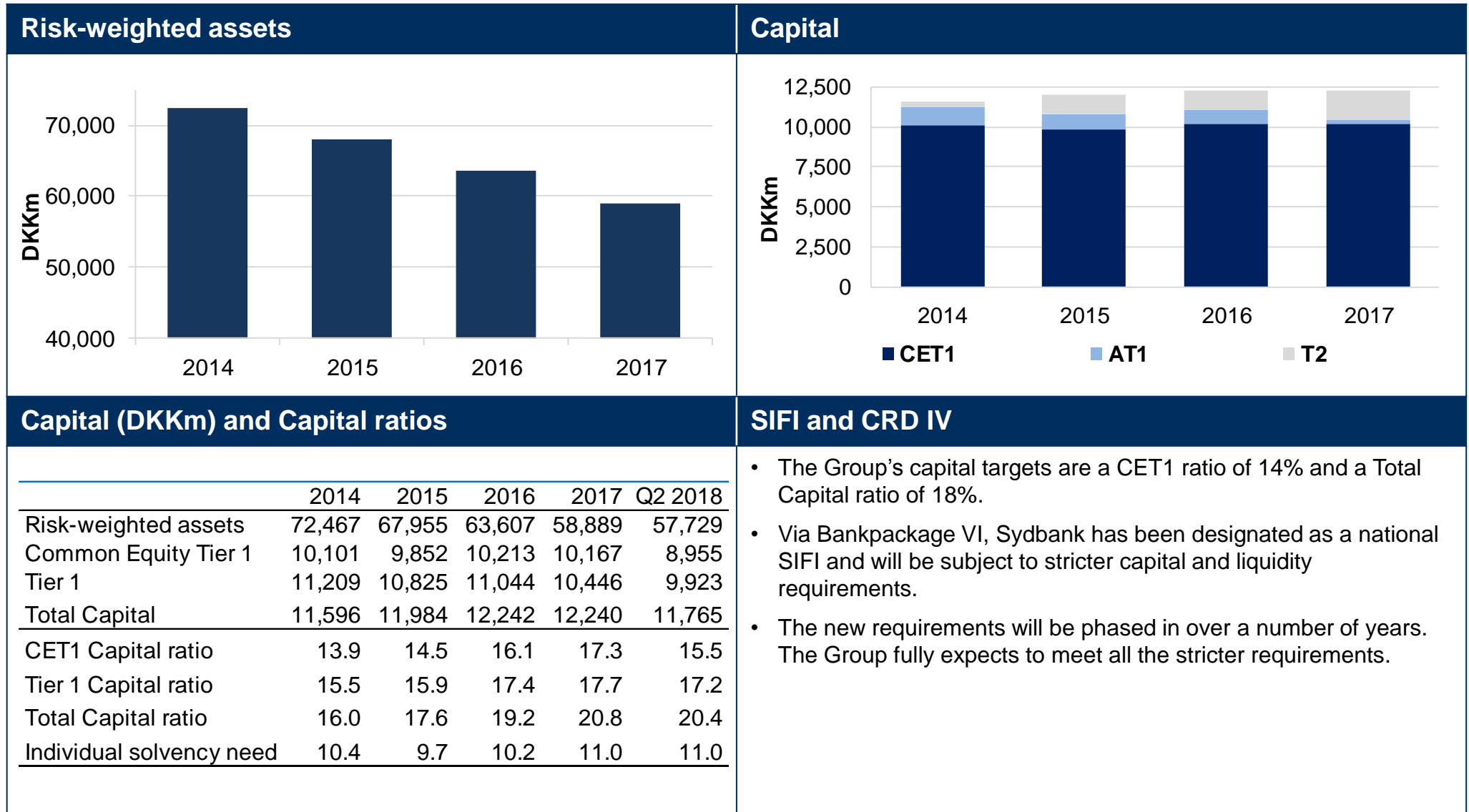
Status – targets

Target	Objective	Status 30 June 2018
Return on shareholders' equity after tax	Over 12%*	11.7%
Customer satisfaction - Corporate	Top 3 **	4th - Aalund
Customer satisfaction - Retail	Top 3 **	5th - EPSI
Common Equity Tier 1 capital ratio	Around 14.0%	15.5%
Capital ratio	Around 18.0%	20.4%
Dividend	30-50% of profit for the year after tax	50% of profit for the year after tax in 2017

* or top 3 ranking among the 6 largest banks

** among the 6 largest banks

Strong capital base



Capital ratios have decreased in H1 2018 due to share buyback programme

DKKm	Q4 2017	Q2 2018 De facto	
Credit risk	38,933	36,810	36,810
Market risk	6,239	7,567	7,567
Operational risk	8,023	8,023	8,023
Other exposures incl CVA	5,694	5,329	5,329
Risk exposure amount	58,889	57,729	57,729
CET1	10,167	8,955	9,289
Tier 1	10,446	9,923	10,257
Total capital	12,240	11,765	12,099
CET1 ratio	17.3	15.5	16.1
Tier 1 ratio	17.7	17.2	17.8
Capital ratio	20.8	20.4	21.0
Individual solvency need	11.0	11.0	11.0

Key points H1 2018:

- Implemented share buyback programme of DKK 500m in February 2018 extended by DKK 750m in June 2018 – total share buyback programme DKK 1,250m in 2018
- Reduction in the risk exposure amount attributable to credit risk. Increase in the risk exposure amount attributable to market risk
- H1 2018 decline in Risk exposure amount due to declining Credit risk - partly offset by increasing Market risk
- Overall the Common Equity Tier 1 capital ratio has decreased by 1.8 in H1 2018. Reduction of 2.1 pp because of buyback.
- Profit for the period is not included in the calculation of capital
- 50% of profit for the period is recognised under “de facto”.

DKKm	Q4 2017	Q2 2018
Corporate, IRB	28,131	26,983
Retail, IRB	8,271	7,816
Corporate, STD	413	320
Retail, STD	731	772
Credit institutions etc.	1,387	919
Credit risk total	38,933	36,810

Capital requirement, planning and capital targets

Requirement incl all buffers

%	CET1	Total capital
Minimum requirement	4.5	8.0
Pillar II buffer	1.7	3.0
Individual solvency need	6.2	11.0
SIFI buffer	1.0	1.0
Capital conservation buffer	2.5	2.5
Countercyclical buffer	2.5	2.5
Total	12.2	17.0
Target	14.0	18.0
30 June 2018	15.5	20.4

Capital targets:

- The capital targets are set at a level where Sydbank expects to have capital that will cover all buffers at any time
- The Group's targets in 2018:
 - CET1 ratio **of around** 14.0%
 - Capital ratio **of around** 18.0%

Capital planning:

- Total share buyback of DKK 1,250m in 2018
- Issue of EUR 75m as Tier 2 capital in Q4 2017
- Issue of EUR 100m as AT1 capital in Q2 2018

Existing AT1:

- 0.4 percentage points transitioned into T2 over the next 4 years.

Leverage ratio

Leverage ratio end-Q2 2018 is 6.6%

Regulatory requirements is 3%

Buffer is about DKK 180bn in assets

Rating + SIFI

SIFI

Sydbank has been designated as a SIFI in Denmark

Moody's most recent rating of Sydbank:

Outlook: Long term debt rating and long term deposit rating on positive outlook

Long-term deposit: A2

Baseline credit assessment: Baa1

Senior unsecured: A2

Short-term deposit: P-1.

Liquidity Coverage Ratio – LCR

The LCR is based on a regulatory cautiously determined liquidity buffer involving specific requirements as regards Danish mortgage bonds and the share thereof. The buffer must be sufficient to survive a 30-day stress scenario. The LCR's 30-day horizon specifies a run-off of the Group's exposures, while taking into account counterparties, funding size, hedging and duration. Consequently the most stable deposits (small deposits covered by a guarantee scheme) are favoured relative to large deposits, in particular large deposits from business enterprises and financial counterparties.

LCR (DKKbn)	Q2 2018	2017	2016
Total liquidity buffer	27.8	29.4	28.0
Net cash outflows	18.0	16.7	16.9
LCR (%)	154	176	166

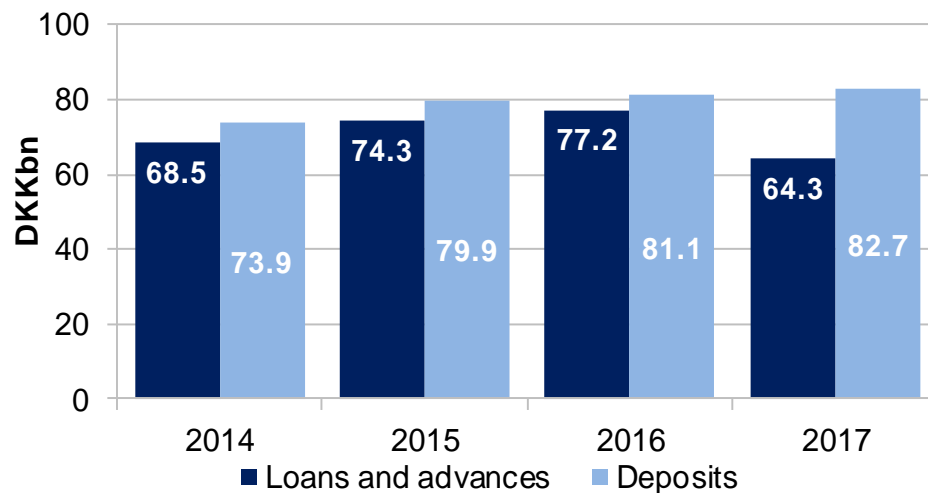
The regulatory LCR requirement is 100% met consequently and the Group's excess cover is significant at 30 June 2018.

Funding

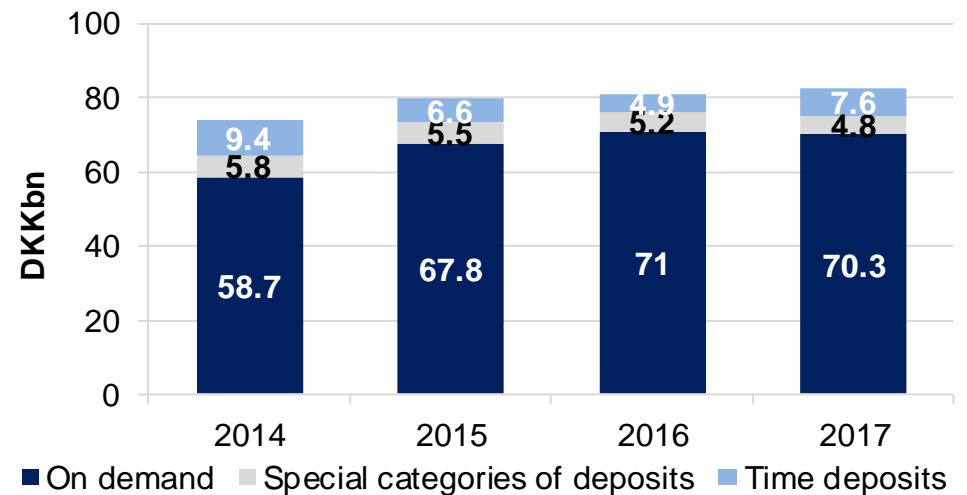
Funding strategy

- Deposit-to-loan ratio of 129%
- Loans and advances (excl reverse transactions) may not exceed the sum of deposits (excl repo transactions), senior loans with maturity exceeding one year and shareholders' equity
- DKK 5-15bn in long-term funding

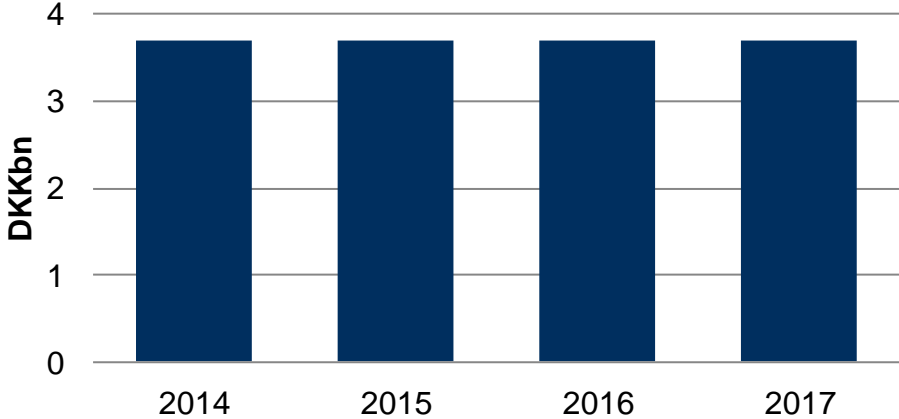
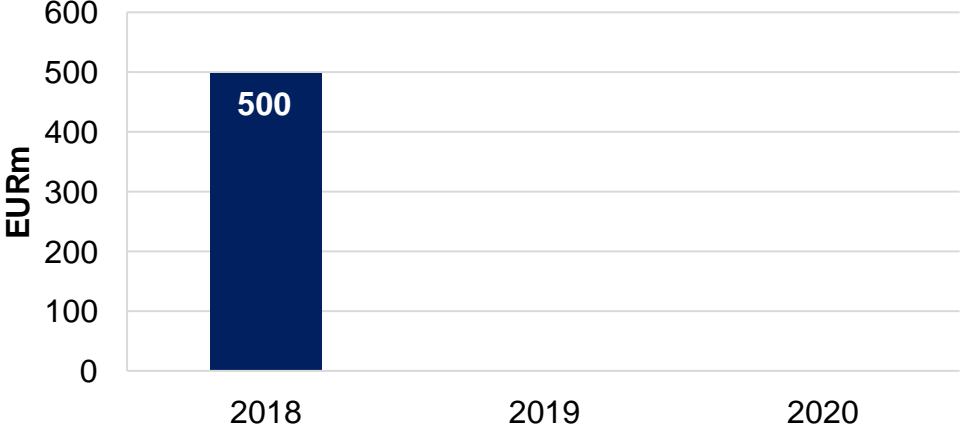
Loans and advances/deposits



Deposits



Long-term funding

Senior loan	Redemption of long-term funding																		
 <table border="1"> <caption>Senior loan (DKKbn)</caption> <thead> <tr> <th>Year</th> <th>Value (DKKbn)</th> </tr> </thead> <tbody> <tr> <td>2014</td> <td>3.7</td> </tr> <tr> <td>2015</td> <td>3.7</td> </tr> <tr> <td>2016</td> <td>3.7</td> </tr> <tr> <td>2017</td> <td>3.7</td> </tr> </tbody> </table>	Year	Value (DKKbn)	2014	3.7	2015	3.7	2016	3.7	2017	3.7	 <table border="1"> <caption>Redemption of long-term funding (EURm)</caption> <thead> <tr> <th>Year</th> <th>Value (EURm)</th> </tr> </thead> <tbody> <tr> <td>2018</td> <td>500</td> </tr> <tr> <td>2019</td> <td>0</td> </tr> <tr> <td>2020</td> <td>0</td> </tr> </tbody> </table>	Year	Value (EURm)	2018	500	2019	0	2020	0
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<p>Covered Bond (SDO) funding agreement</p> <ul style="list-style-type: none"> Agreement with Nykredit about funding of bank originated mortgage loans 	<p>Nykredit – funding</p> <table border="1"> <tbody> <tr> <td>Funding end-2017</td> <td>DKK 10bn</td> </tr> <tr> <td>Total bank originated mortgage loans</td> <td>DKK 16bn</td> </tr> </tbody> </table>	Funding end-2017	DKK 10bn	Total bank originated mortgage loans	DKK 16bn														
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Sound economic structure

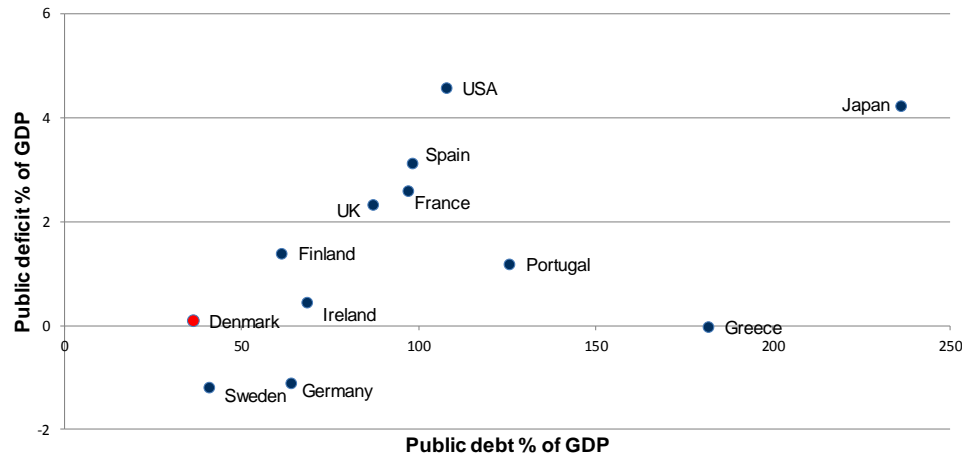
Macroeconomic outlook					
	2015	2016	2017	2018F	2019F
Private consumption (%)	2.0	2.1	1.9	2.2	2.0
Government consumption (%)	0.6	0.4	0.8	0.5	0.5
Gross investment (%)	2.5	5.6	2.5	5.4	5.4
Exports (%)	2.1	2.5	4.5	3.8	3.0
Imports (%)	1.4	2.4	2.8	4.0	3.5
GDP (%)	1.6	2.0	2.0	1.9	1.7
Current account, DKKbn	186	163	158	140	129
Unemployment (gross,1000)	117	113	113	105	105
Consumer prices (%)	0.5	0.2	1.2	1.4	1.7

Household wealth year-end 2017, DKKbn	Household debt year-end 2017, DKKbn																		
<table border="1"> <caption>Household wealth year-end 2017, DKKbn</caption> <thead> <tr> <th>Category</th> <th>Value (DKKbn)</th> </tr> </thead> <tbody> <tr> <td>Homes</td> <td>3,986</td> </tr> <tr> <td>Pension savings</td> <td>3,189</td> </tr> <tr> <td>Other assets</td> <td>2,921</td> </tr> <tr> <td>Total</td> <td>10,096</td> </tr> </tbody> </table>	Category	Value (DKKbn)	Homes	3,986	Pension savings	3,189	Other assets	2,921	Total	10,096	<table border="1"> <caption>Household debt year-end 2017, DKKbn</caption> <thead> <tr> <th>Category</th> <th>Value (DKKbn)</th> </tr> </thead> <tbody> <tr> <td>Debt</td> <td>2,727</td> </tr> <tr> <td>Other liabilities</td> <td>67</td> </tr> <tr> <td>Total</td> <td>2,794</td> </tr> </tbody> </table>	Category	Value (DKKbn)	Debt	2,727	Other liabilities	67	Total	2,794
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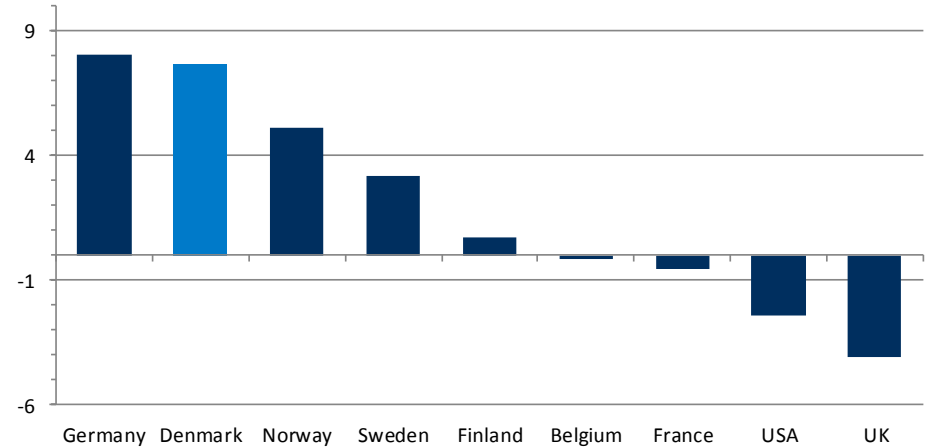
Source: Nationalbank and Danmark Statistik

Denmark has a healthy economy

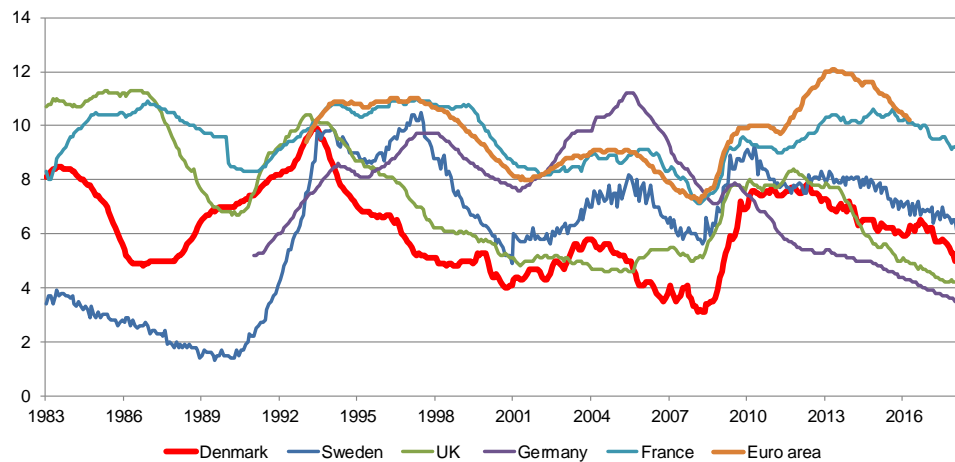
Public deficit vs public debt – 2017



Current account, % of GDP 2017



Unemployment, %

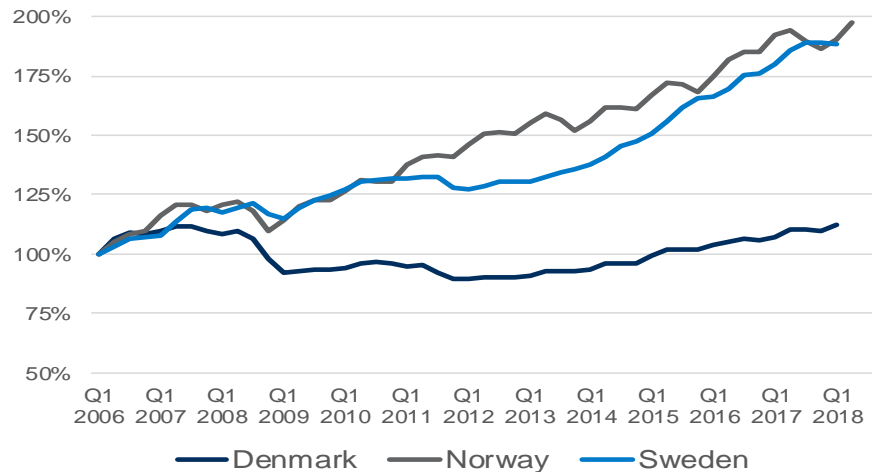


Key points

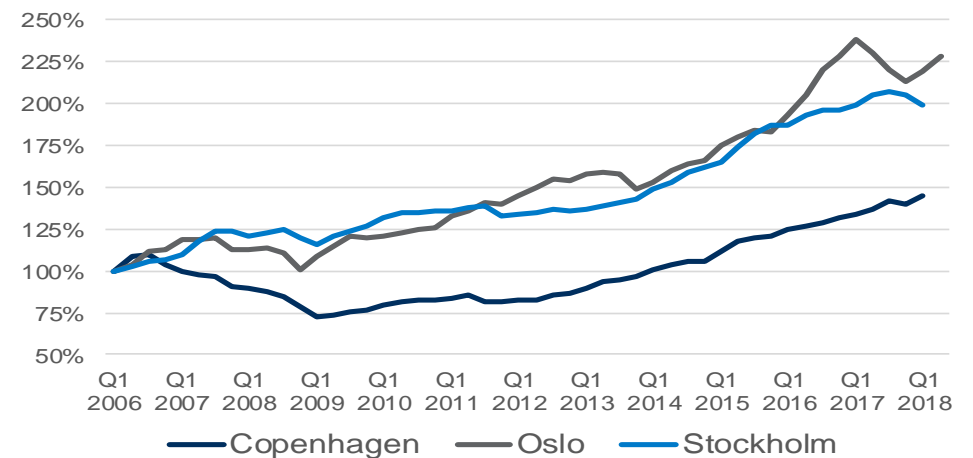
- Public deficit in 2017: 0.1% of GDP
- The overall structural features of the Danish economy continue to look strong with large net foreign assets, a large current account surplus and low public debt level
- Unemployment continues to drop and employment is rising sharply.

Property prices

House prices – Scandinavia (Q1 2006 = 100)



House prices – capitals (Q1 2006 = 100)

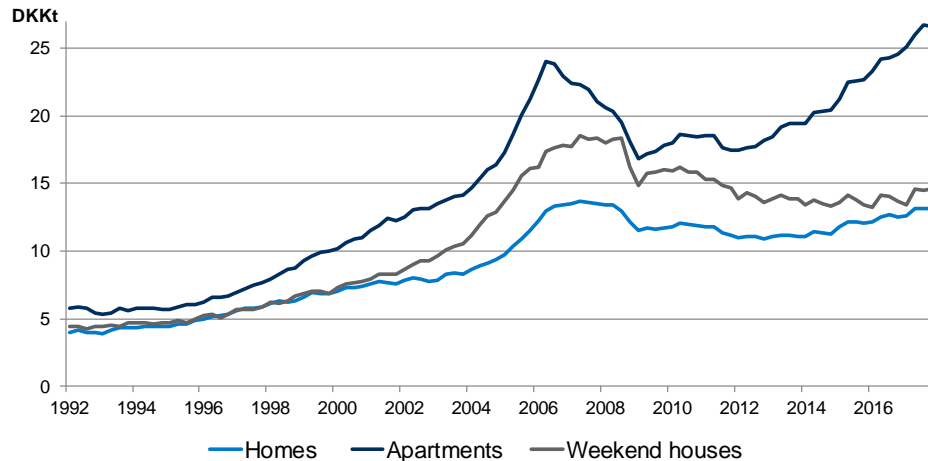


Property market conditions

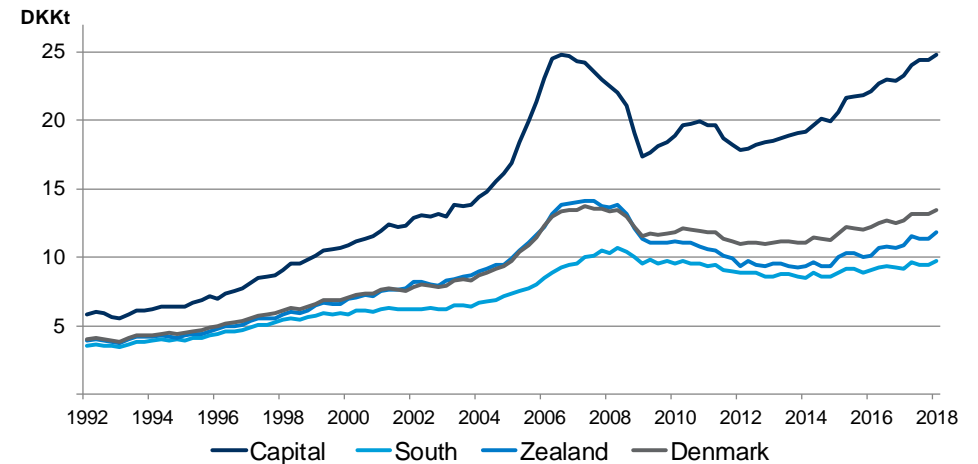
- Sharp rise in prices in Norway and Sweden – predominantly in capitals
- Oslo: 120% price increase since Q1 2006
- Stockholm: 99% price increase since Q1 2006
- Copenhagen: 42% price increase since Q1 2006

Property prices

House prices – whole country (DKK per square metre)



House prices – region (DKK per square metre)



Property market conditions

- House prices are up 21% since the beginning of 2013
- Apartments are up 47% since the beginning of 2013
- A low housing burden supports the market. Buying a house is cheap in real terms
- Large number of homes for sale – geographically diversified
- Reduced share of floating rate loans

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Sydbank Inaugural Non-Preferred Senior Debt Issue

Key features of proposed [EUR] issue

Issuer	<ul style="list-style-type: none"> Sydbank A/S
Expected Issue Rating	<ul style="list-style-type: none"> [Baa1] (Moody's)
Maturity	<ul style="list-style-type: none"> [•] ([•] year bullet tenor)
Status	<ul style="list-style-type: none"> Non-Preferred Senior Notes are intended to constitute MREL/TLAC Eligible Liabilities and Non-Preferred Senior Obligations. The Notes will rank junior to senior preferred liabilities, and senior to subordinated obligations. See the Offering Circular.
Interest Rate	<ul style="list-style-type: none"> [•]%, payable [annually] in arrear on [•] in each year
Events of Default	<ul style="list-style-type: none"> No Events of Default
Early Redemption	<ul style="list-style-type: none"> Subject to regulatory approval, the Notes may be redeemed at par (plus accrued and unpaid interest) in case of: <ul style="list-style-type: none"> MREL/TLAC Disqualification Event: disqualification in whole or in part of the Notes as “eligible liabilities” as a result of the implementation of, or change in, applicable regulations Tax reasons: obligation for the Issuer to pay additional amounts
Substitution Variation	<ul style="list-style-type: none"> Ability to substitute or vary the notes in case of a MREL/TLAC Disqualification Event, such that the Notes become or remain Qualifying Non-Preferred Senior Notes
Documentation	<ul style="list-style-type: none"> GMTN Programme
Governing Law	<ul style="list-style-type: none"> English Law (except Danish Law for: status, early redemption, enforcement events)
Listing	<ul style="list-style-type: none"> London Stock Exchange
Denominations	<ul style="list-style-type: none"> EUR 100k + 1k

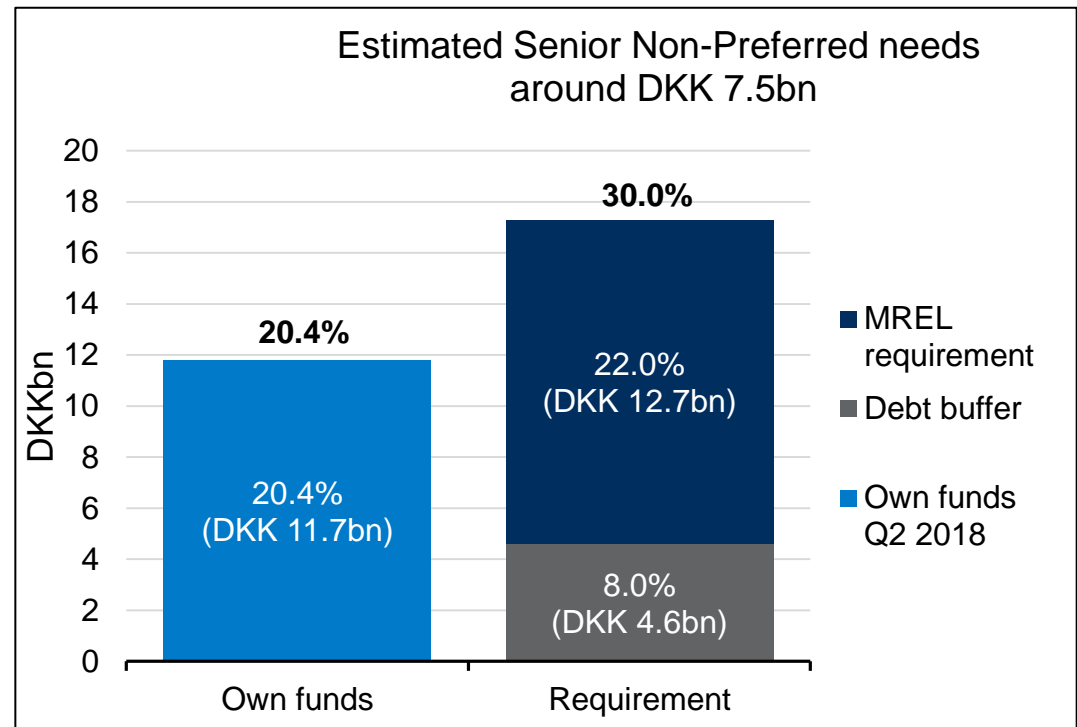
Note: The summary terms outlined above are qualified in their entirety by reference to the terms and conditions which are described in the GMTN Programme dated 8th June 2018. In case of any discrepancy, the terms and conditions of the GMTN Programme prevail.

MREL

MREL requirements apply from 1st July 2019.

Requirement for O-SIFI is 2 times capital requirement including buffers.

MREL requirement %	01/07/2019
Minimum requirement	8.0
Pillar 2 add on	3.0
SIFI buffer	1.0
Capital conservation buffer	2.5
Counter cyclical buffer	0.5
Total	15.0
MREL = 2 * 15,0	30.0



Sydbank's actual capital – end Q2-2018 – is 20.4%

⇒ Sydbank need to issue minimum DKK 5.6bn MREL capital

⇒ 2 times benchmark EUR 500m will bring DKK 7.5bn

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Concluding remarks

- Danish economy has a sound economic structure
- Sydbank is the fourth largest bank in Denmark
- Sydbank is an independent bank with a competitive return for its shareholders
- Share buyback DKK 500m started in February 2018 – extended by DKK 750m in June 2018 – total share buyback in 2018 DKK 1,250m.
- Issue of EUR 100m AT1 in May 2018
- A good result in 2017 due to a good performance and lower impairment charges
- Tight cost control
- Strong capital base – CET1 at 15.5% as of end Q2 2018
- Strong liquidity position with LCR significantly above the regulatory minimum

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Income statement

DKKm	2013	2014	2015	2016	2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
Core income	4,058	4,319	4,329	4,198	4,167	1,036	1,038	1,053	987
Trading income	229	196	215	237	233	58	36	55	45
Total income	4,287	4,515	4,544	4,435	4,400	1,094	1,074	1,108	1,032
Costs, core earnings	2,514	2,619	2,675	2,590	2,637	623	645	703	694
Core earnings before impairment	1,773	1,896	1,869	1,845	1,763	471	429	405	338
Impairment of loans and advances etc	1,861	707	316	87	-51	-29	-13	-13	-44
Core earnings	-88	1,189	1,553	1,758	1,814	500	442	418	382
Investment portfolio earnings	319	76	-80	104	182	8	-13	-12	-66
Profit before non-recurring items	231	1,265	1,473	1,862	1,996	508	429	406	316
Non-recurring items etc, net	-60	64	0	7	-40	-11	-17	105	-13
Profit before tax	171	1,329	1,473	1,869	1,956	497	412	511	303
Tax	-16	277	325	397	425	109	85	80	66
Profit for the period	187	1,052	1,148	1,472	1,531	388	327	431	237

Balance sheet

DKKbn	2014	2015	2016	2017	Q2 2018
Loans and advances, bank loans	68.5	74.3	77.2	64.3	62.5
Loans and advances at fair value	6.9	10.2	6.1	5.2	6.1
Deposits and other debt	73.9	79.9	81.1	82.7	84.1
Bonds issued at amortised cost	3.7	3.7	3.7	3.7	0.0
Subordinated capital	1.4	2.1	2.1	1.9	2.6
Shareholders' equity	11.3	11.4	11.8	11.9	11.3
Total assets	152.3	142.7	146.7	138.5	136.1

Bank loans – sector breakdown

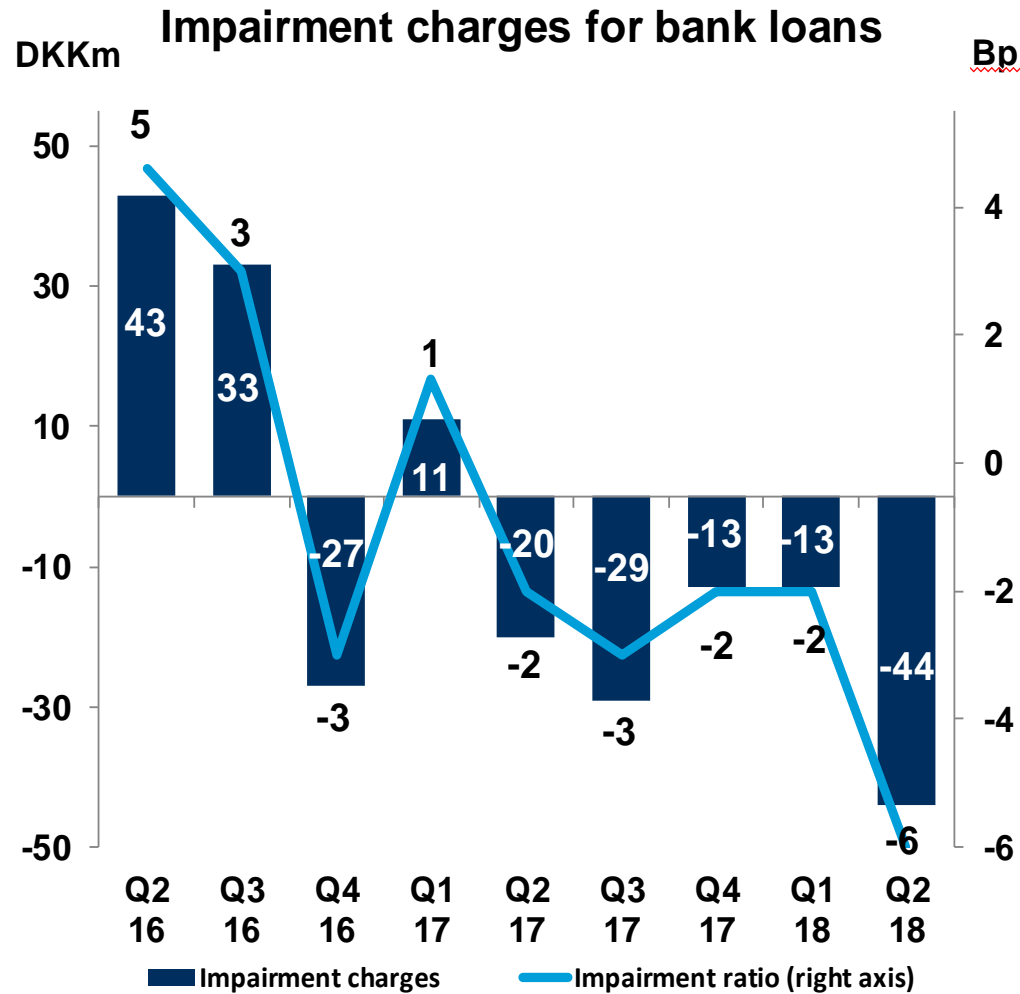
DKKbn	2017	2016	2015
Agriculture, hunting, forestry and fisheries	3,944	4,472	4,885
Manufacturing and extraction of raw materials	8,171	7,352	6,991
Energy supply etc	2,064	1,990	2,586
Building and construction	3,386	2,903	2,430
Trade	11,460	11,309	11,432
Transportation, hotels and restaurants	3,077	3,337	3,118
Information and communication	521	370	283
Finance and insurance	4,926	5,526	6,119
Real estate	5,335	5,962	6,396
Other industries	3,258	3,713	3,167
Total corporate	46,142	46,934	47,407
Public authorities	348	650	934
Retail	18,122	29,992	26,429
Collective impairment charges	-300	-385	-495
Total	64,312	77,191	74,275

Total credit intermediation

Total credit intermediation

DKKbn	Q4 2016	Q4 2017	Q1 2018	Q2 2018	Change Q2
Bank loans - retail	29.9	18.0	16.9	16.5	-0.5
Bank loans - corporate	46.7	46.0	46.5	45.9	-0.6
Bank loans - public authorities	0.6	0.3	0.1	0.2	0.1
Bank loans - total	77.2	64.3	63.5	62.5	-1.0
Funded mortgage-like loans	-	10.0	10.5	10.3	-0.2
Bank loans and funded loans	77.2	74.3	74.0	72.8	-1.2
Arranged mortgage loans - Totalkredit	58.3	58.0	58.3	58.8	0.5
Arranged mortgage loans - DLR	12.4	11.7	11.5	11.5	0.0
Total	147.9	144.0	143.8	143.2	-0.7

Impairment charges constitute minus DKK 44m in Q2 2018, equal to minus 6bp



Thank you

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 - B. communicate (including the distribution of this document) or approve an invitation or inducement to participate in, acquire or underwrite the Notes (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by, a retail client (as defined in MiFID II). In selling or offering Notes or making or approving communications relating to the Notes, it may not rely on the limited exemptions set out in the PI Instrument; and
- iii. it will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA) relating to the promotion, offering, distribution and/or sale of the Notes (or any beneficial interests therein), including (without limitation) MiFID II and any other applicable laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Notes (or any beneficial interests therein) by investors in any relevant jurisdiction.

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