
Interim Report – Q1-Q3 2017

Highly satisfactory result in Q1-Q3 2017

31 October 2017

Highlights for 9M 2017

Key points

Highly satisfactory result for 9M 2017

Profit

Profit of DKK 1,204m – ROE of 13.9% p.a. after tax

Core income

Core income of DKK 3,129m – on a par with 9M 2016

Income

Income of DKK 3,326m – on a par with 9M 2016

Costs

Up by 2% compared with 9M 2016

Impairment charges

Impairment charges of minus DKK 38m – reversal in 9M 2017

Bank loans

Effectively a DKK 2.0bn decline in bank loans and advances, equal to 2.5%

CET 1 ratio

CET1 ratio of 15.5% – down by 0.1% from Q2 2017

Capital

Issue of EUR 75M as Tier 2 capital on 2 November 2017

Core income – on a par with 9M 2016

DKKm	9M 2017	9M 2016	Index	Q3 2017	Q2 2017	Index
Net interest income etc	1,520	1,749	87	490	511	96
Mortgage credit*	427	292	146	159	137	116
Payment services	149	149	100	53	48	110
Remortgaging and loan fees	104	67	155	38	34	112
Commission and brokerage	273	261	105	79	91	87
Commission etc investment funds and pooled pension plans	291	286	102	92	97	95
Asset management	188	143	131	65	67	97
Custody account fees	53	53	100	18	17	106
Other income	124	131	95	42	38	111
Total	3,129	3,131	100	1,036	1,040	100
* Set-off of loss Totalkredit	22	16	138	7	6	117

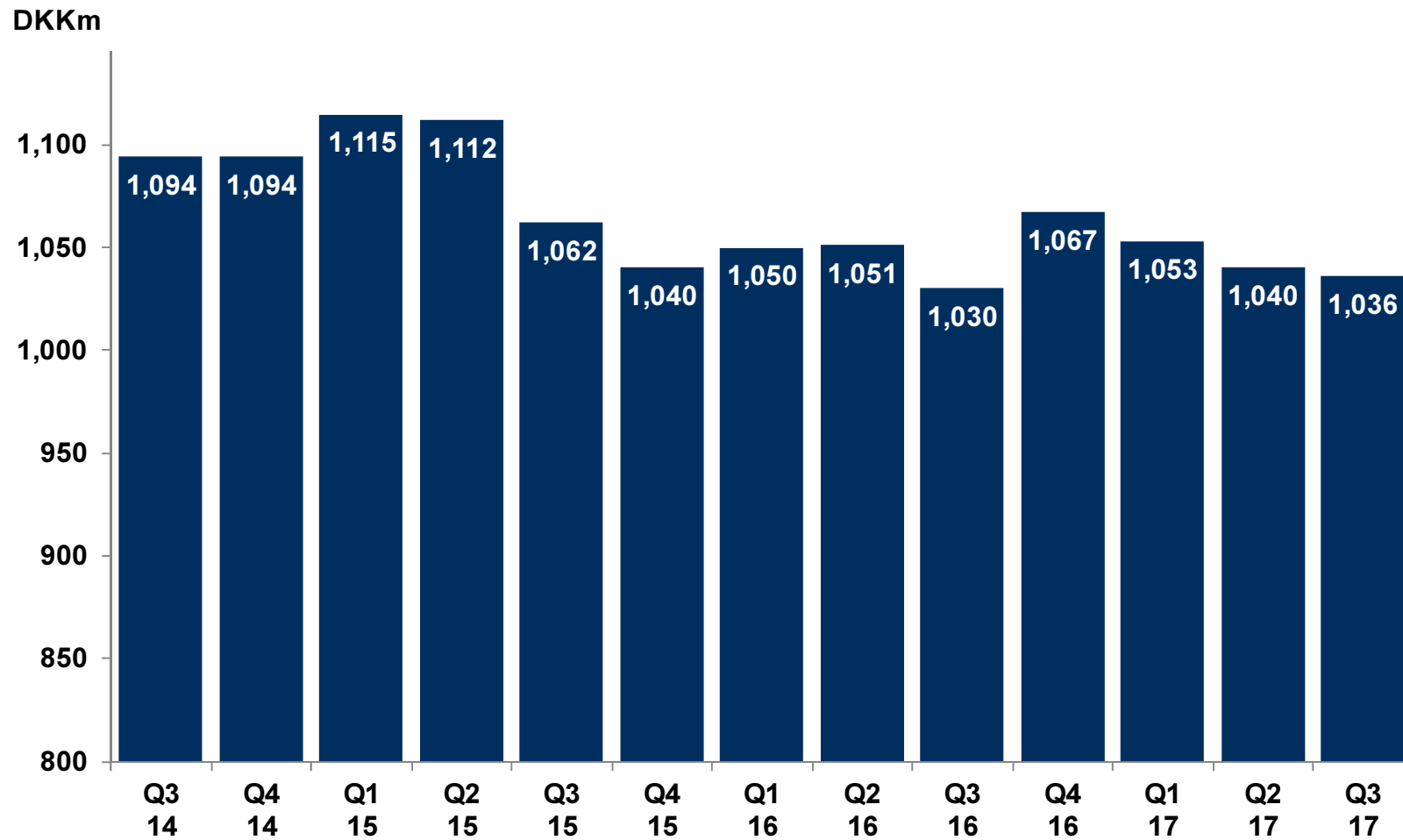
Key points 9M 17 vs 9M 16:

- Net interest income down by 13% – 5% due to funding agreement mortgage-like loans
- Mortgage credit up by 46% – 25% due to funding agreement mortgage-like loans
- Remortgaging and loan fees up by 55% – normalised in 2017
- Asset management up by 31%
- Other items up by a total of 1%.

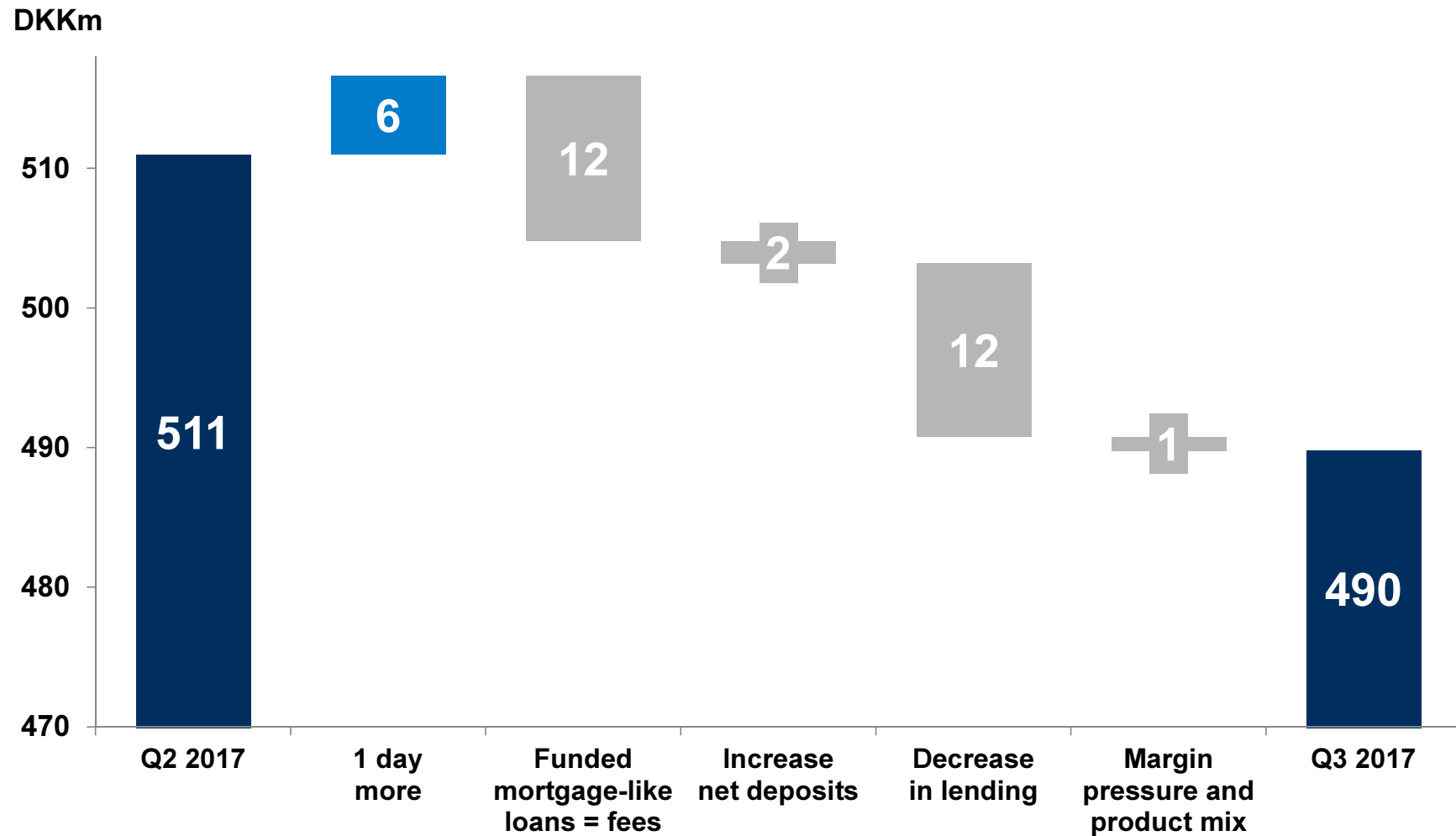
Key points Q3 17 vs Q2 17:

- Net interest income down by 4%
- Mortgage credit up by 16% – DKK 6m adjustment regarding Q2
- Commission and brokerage down by 13%
- Other items up by a total of 2%.

Core income remains stable



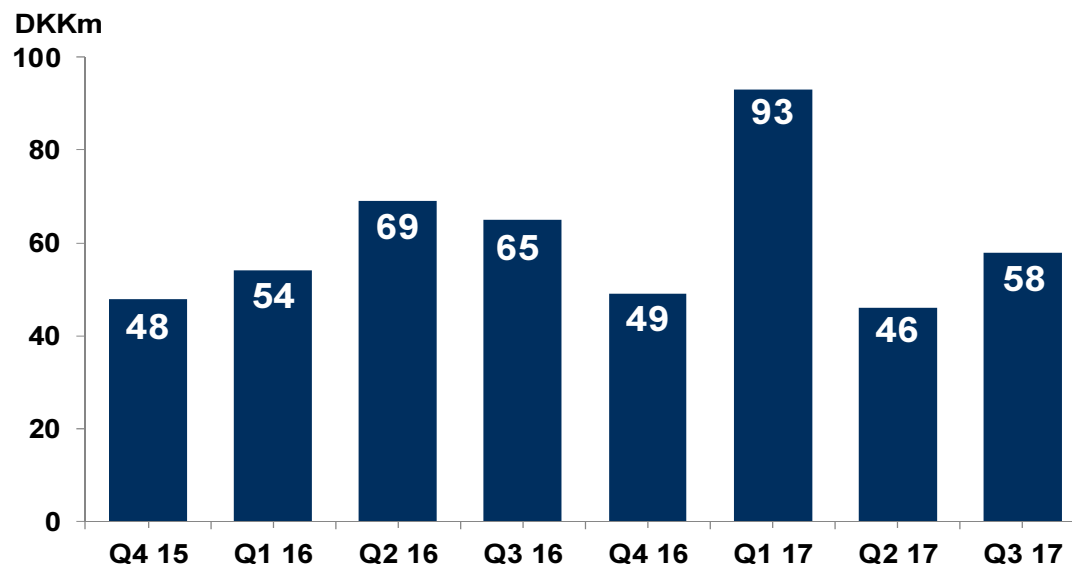
Net interest income etc – development from Q2 2017 to Q3 2017



Trading income – stable earnings in Q3 2017

Key points:

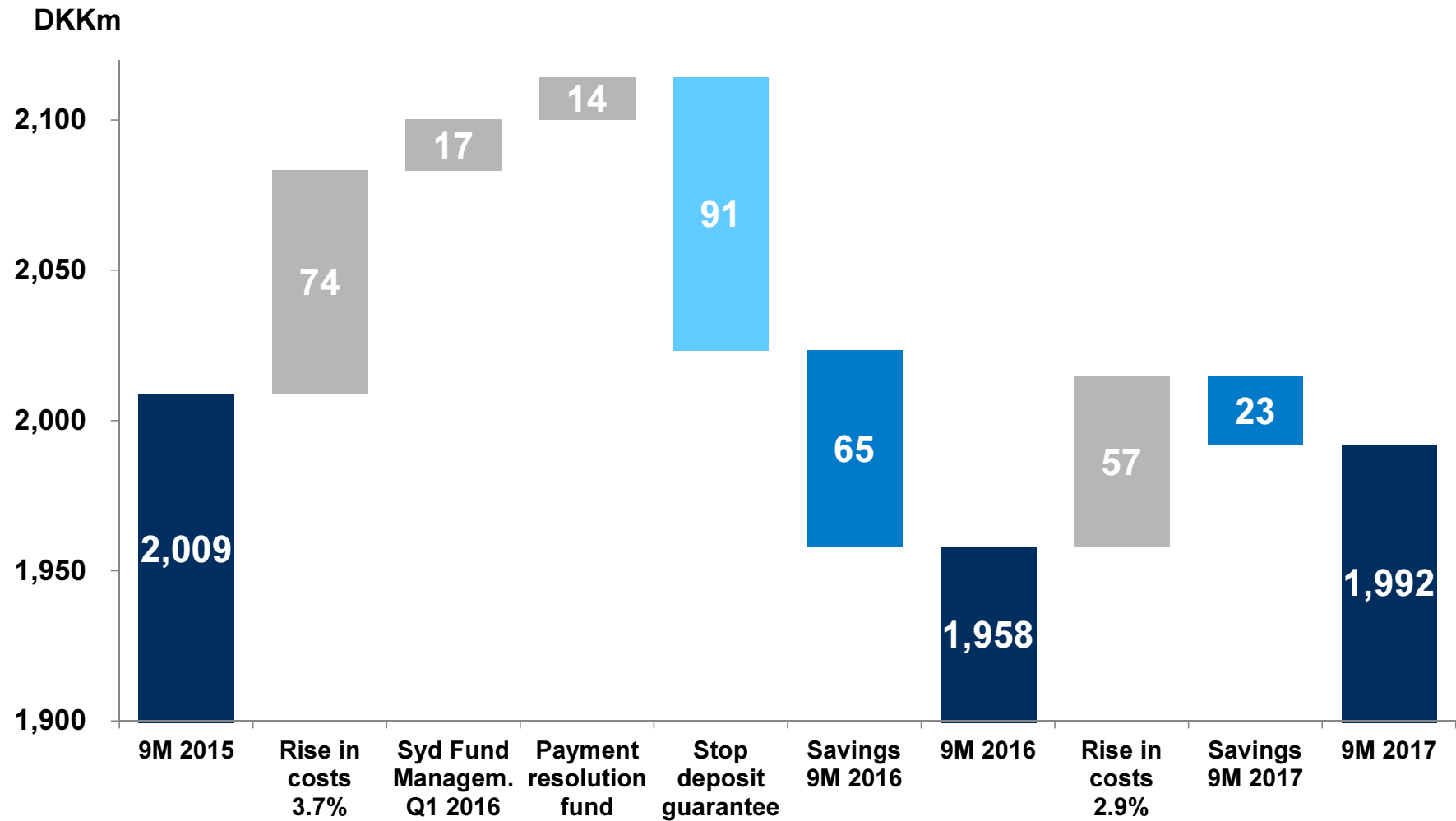
- DKK 58m recorded in Q3 2017 vs DKK 46m in Q2 2017
- In Fixed Income considerable trading activity was recorded in mortgage bonds as well as corporate bonds in 2017.



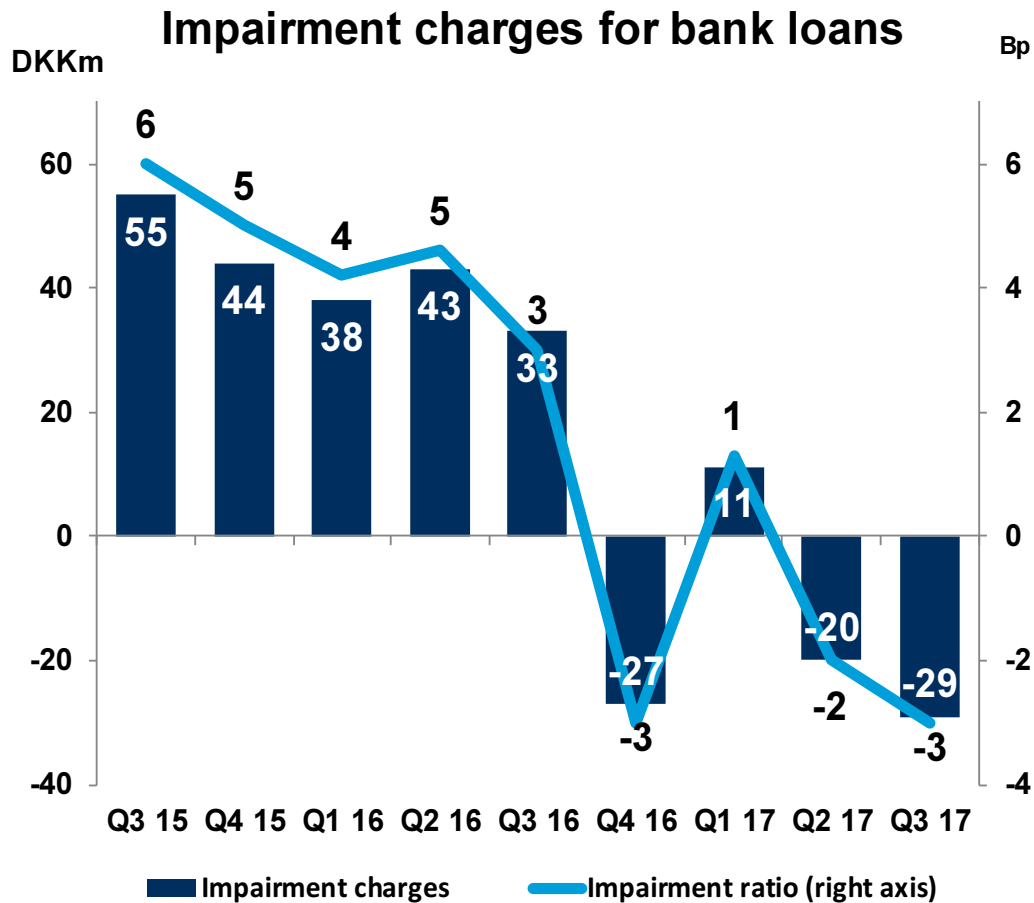
Trading income

DKKm	Q4 15	Q1 16	Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17
Fixed Income	13	26	39	45	25	63	30	36
Equities	25	20	19	14	12	22	9	13
Money Market and Foreign Exchange	10	8	11	6	12	8	7	9
Total	48	54	69	65	49	93	46	58

Costs (core earnings) – savings of DKK 23m vs 9M 2016



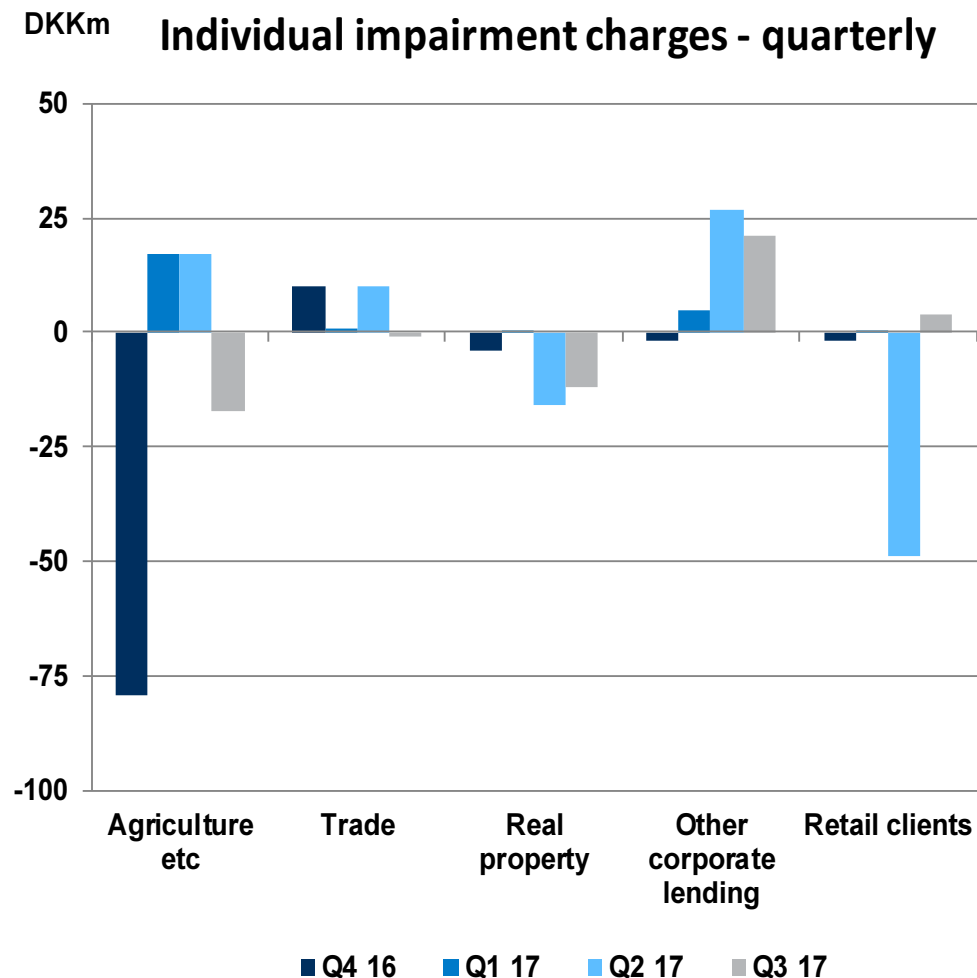
Impairment charges constitute minus DKK 29m in Q3 2017, equal to minus 3bp



Impairment charges represent:

- Minus 5bp in 9M 17, down from 12bp in 9M 16
- Minus 3bp in Q3 17, down from minus 2bp in Q2 17.

Reversals as regards corporate and low impairment charges as regards retail in Q3 2017



Key points Q3 2017:

- Individual impairment charges as regards corporate exposures represent minus DKK 9m. Individual impairment charges as regards retail exposures represent DKK 4m in Q3 2017
- Collective impairment charges regarding agricultural exposures represent an unchanged DKK 150m at end-Q3 2017.

Key points 9M 2017:

- Individual impairment charges as regards corporate exposures represent DKK 52m. Individual impairment charges as regards retail exposures represent minus DKK 45m in 9M 2017

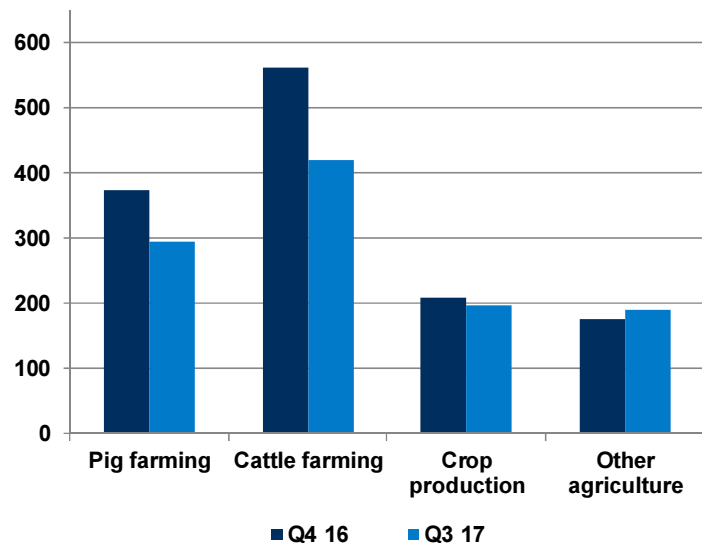
DKKm	Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17
Agriculture etc	80	110	-79	17	17	-17
Trade	-12	6	10	1	10	-1
Real property	-5	-52	-4	0	-16	-12
Other corporate lending	36	-5	-2	5	27	21
Total corporate lending	99	59	-75	23	38	-9
Retail clients	-15	-7	-2	0	-49	4
Individual impairments	84	52	-77	23	-11	-5
Collective impairments	-41	-19	50	-12	-9	-24
Total impairments	43	33	-27	11	-20	-29

Agriculture – impairment ratio is 14.2% at end-Q3 2017, down by 1.0 percentage point from the level at end-Q2 2017

Key points:

- In 9M 2017 loans and advances dropped by DKK 365m from year-end 2016. DKK 77m concerns write-off of debt for accounting purposes.
- Impaired loans and advances fell by DKK 218m, equal to a reduction of 4.2 percentage points in loans and advances.
- 14.2% of loans and advances impaired at end-Q3 2017 compared to 15.9% at year-end 2016.

DKKm Individually impaired loans



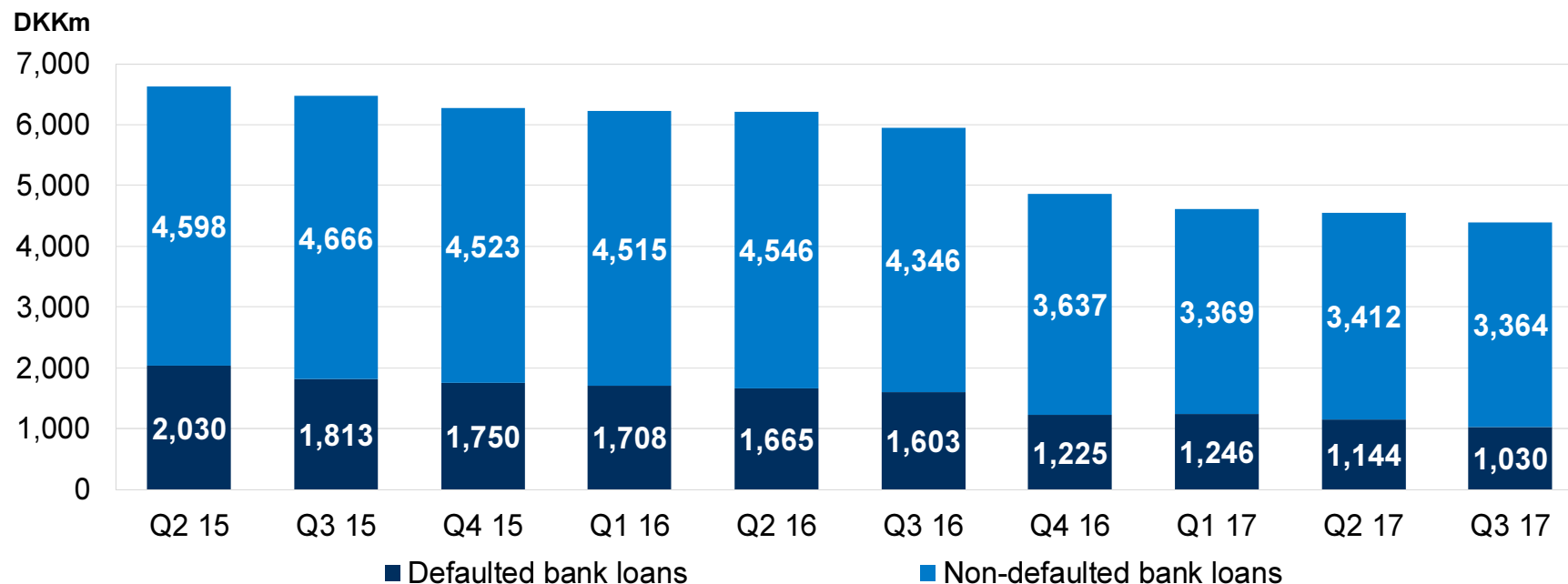
30 September 2017

DKKm	Pig farming	Cattle farming	Crop production	Other agriculture	Total
Bank loans	1,329	1,164	1,240	1,040	4,773
Individual impairment charges	124	220	74	111	529
Collective impairment charges	25	100		25	150
Loans after impairment charges	1,180	844	1,166	904	4,094
Impaired bank loans	294	421	197	191	1,103
Impaired as % of bank loans	22.1	36.2	15.9	18.4	23.1
Impairment as % impaired loans	42.2	52.3	37.6	58.1	48.0
Impairment as % bank loans	11.2	27.5	6.0	13.1	14.2

31 December 2016

DKKm	Pig farming	Cattle farming	Crop production	Other agriculture	Total
Bank loans	1,428	1,364	1,220	1,126	5,138
Individual impairment charges	167	321	83	95	666
Collective impairment charges	25	100		25	150
Loans after impairment charges	1,236	943	1,137	1,006	4,322
Impaired bank loans	592	996	103	200	1,891
Impaired as % of bank loans	41.5	73.0	8.4	17.8	36.8
Impairment as % impaired loans	28.2	32.2	80.6	47.5	35.2
Impairment as % bank loans	13.4	30.9	6.8	10.7	15.9

Impaired bank loans – down for 14th consecutive quarter

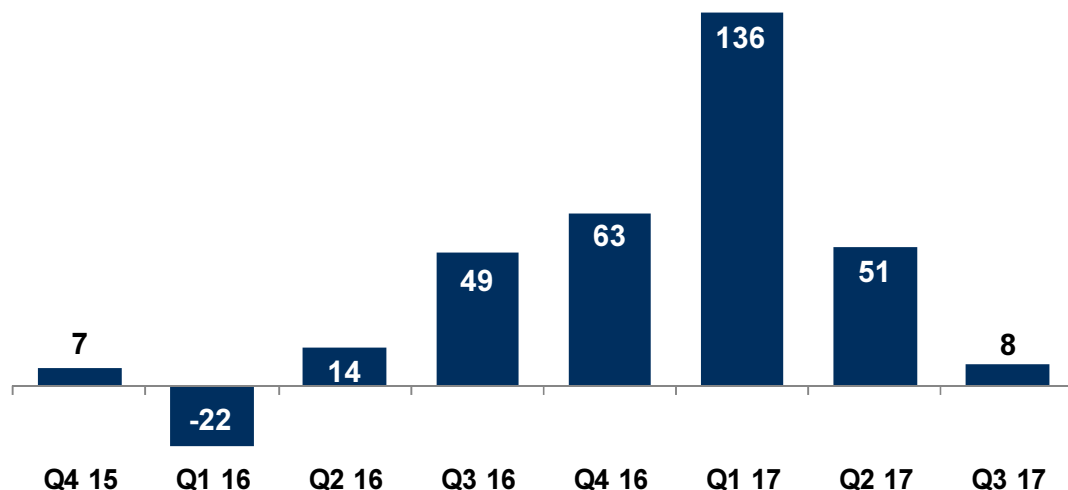


Individually impaired bank loans

DKKm	30 Sep 16	31 Dec 16	30 Sep 17
Non-defaulted bank loans	4,346	3,637	3,364
Defaulted bank loans	1,603	1,225	1,030
Impaired bank loans	5,949	4,862	4,394
Impairment charges for bank loans subject to individual impairment	3,490	2,726	2,415
Impaired bank loans after impairment charges	2,459	2,136	1,979
Impaired bank loans as % of bank loans before impairment charges	7.3	6.1	6.3
Impairment charges as % of bank loans before impairment charges	4.3	3.4	3.5
Impairment as % of impaired bank loans	58.7	56.1	55.0
Impairment as % of defaulted bank loans	217.7	222.5	234.5

Investment portfolio earnings – highly satisfactory result for 9M 2017

Investment portfolio earnings – DKKm



Investment portfolio earnings

DKKm	Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17
Position-taking	-5	40	91	89	48	-21
Liquidity generation and reserves	18	4	-24	39	6	16
Strategic positions	3	6	-2	10	-1	14
Costs	-2	-1	-2	-2	-2	-1
Total	14	49	63	136	51	8

Investment portfolio earnings for 9M 2017 represent DKK 195m compared with earnings of DKK 41m in 9M 2016.

The modest investment portfolio earnings in Q3 2017 are the result of a dip in interest rates – caused by geopolitical instability – combined with a narrowing of the credit spread on mortgage bonds.

The risk continues to be composed so that the Bank will profit from an interest rate increase.

Income statement – highly satisfactory result in 9M 2017 – ROE of 13.9%

DKKm	9M 2017	9M 2016	Index	Q3 2017	Q2 2017	Index
Core income	3,129	3,131	100	1,036	1,040	100
Trading income	197	188	105	58	46	126
Total income	3,326	3,319	100	1,094	1,086	101
Costs, core earnings	1,992	1,958	102	623	678	92
Core earnings before impairment	1,334	1,361	98	471	408	115
Impairment of loans and advances etc	-38	114	-	-29	-20	-
Core earnings	1,372	1,247	110	500	428	117
Investment portfolio earnings	195	41	476	8	51	16
Profit before non-recurring items	1,567	1,288	122	508	479	106
Non-recurring items, net	-23	21	-	-11	-6	-
Profit before tax	1,544	1,309	118	497	473	105
Tax	340	281	121	109	104	105
Profit for the period	1,204	1,028	117	388	369	105
Costs (core earnings) / total income, C/I	0.60	0.59		0.57	0.62	
Return on equity, ROE full-year basis	13.9	12.3		13.3	12.8	
Earnings per share, EPS	17.5	14.6		5.7	5.4	

Key points 9M 17 vs 9M 16:

- Core income at an unchanged level
- Trading income up by 5%
- Costs (core earnings) up by 2%
- Impairment charges – reversals in 9M 17
- Core earnings up by 10%
- Very high level of investment portfolio earnings.

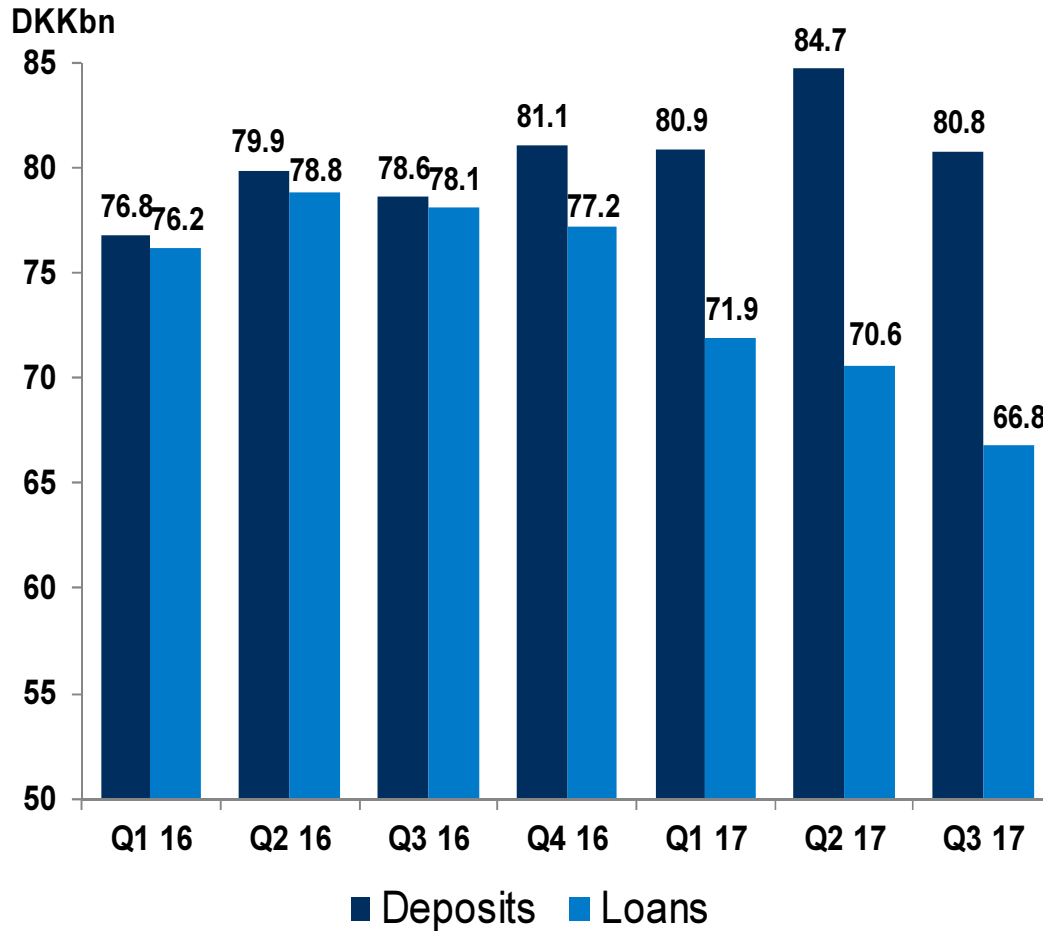
Key points Q3 17 vs Q2 17:

- Core income at an unchanged level
- Trading income up by 26%
- Costs (core earnings) down by 8%.

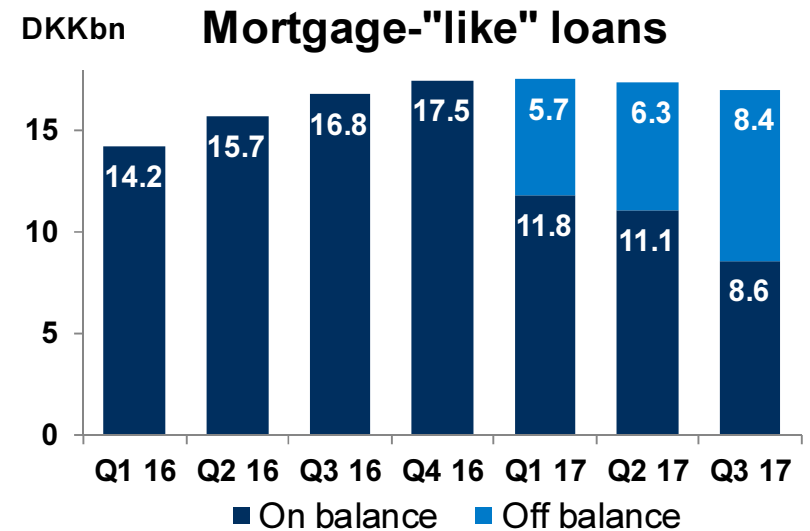
Non-recurring items:

- Costs of DKK 23m related to "Blue growth" projects.

Loans and advances effectively declined by DKK 1.6bn in Q3 2017 – adjusted for funded mortgage-like loans



- Loans and advances have declined by DKK 3.8bn in Q3 2017; adjusted for funded mortgage-like loans of DKK 2.2bn, loans and advances effectively declined by DKK 1.6bn in the quarter, equal to 2.1%
- Mortgage-like loans incl funded mortgage-like loans end-Q3 2017 declined by DKK 0.5bn from year-end 2016
- Funded mortgage-like loans constitute DKK 10.4bn at 1 October 2017



Total credit intermediation declines by DKK 1.2bn – equal to 0.8%

Total credit intermediation

DKKbn	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Change Q3
Bank loans - retail	29.9	24.0	22.8	20.0	-2.8
Bank loans - corporate	46.7	47.5	47.3	46.5	-0.8
Bank loans - public authorities	0.6	0.4	0.5	0.3	-0.2
Bank loans - total	77.2	71.9	70.6	66.8	-3.8
Funded mortgage-like loans	-	6.4	6.3	8.4	2.1
Bank loans and funded loans	77.2	78.3	76.9	75.2	-1.6
Arranged mortgage loans - Totalkredit	58.3	57.0	57.6	58.2	0.5
Arranged mortgage loans - DLR	12.4	12.2	12.1	12.0	-0.1
Total	147.9	147.5	146.6	145.4	-1.2

- Total credit intermediation declined by DKK 1.2bn in Q3 2017
- Total credit intermediation – by way of bank loans and advances, funded mortgage-like loans and arranged mortgage-like loans – to retail clients at end-September 2017 is in line with the level recorded in Q2 2017
- DKK 0.9bn of the decline is attributable to corporate clients
- However corporate lending remains on a par with the level in Q4 2016.

Capital ratios unchanged in Q3 2017

profit for 9M 2017 is not included in the calculation of the capital ratios

DKKm	Q4 2015	Q4 2016	Q2 2017	Q3 2017 De facto	
Credit risk	44,931	41,683	40,640	40,195	40,195
Market risk	8,876	8,075	5,878	6,403	6,403
Operational risk	8,173	8,025	8,025	8,025	8,025
Other exposures incl CVA	5,975	5,824	5,485	5,470	5,470
Risk exposure amount	67,955	63,607	60,028	60,093	60,093
CET1	9,852	10,213	9,365	9,329	9,931
Tier 1	10,825	11,044	9,644	9,608	10,210
Total capital	11,984	12,242	10,891	10,852	11,454
CET1 ratio	14.5	16.1	15.6	15.5	16.5
Tier 1 ratio	15.9	17.4	16.1	16.0	17.0
Capital ratio	17.6	19.2	18.1	18.1	19.1
Individual solvency need	9.7	10.2	10.4	10.5	10.5

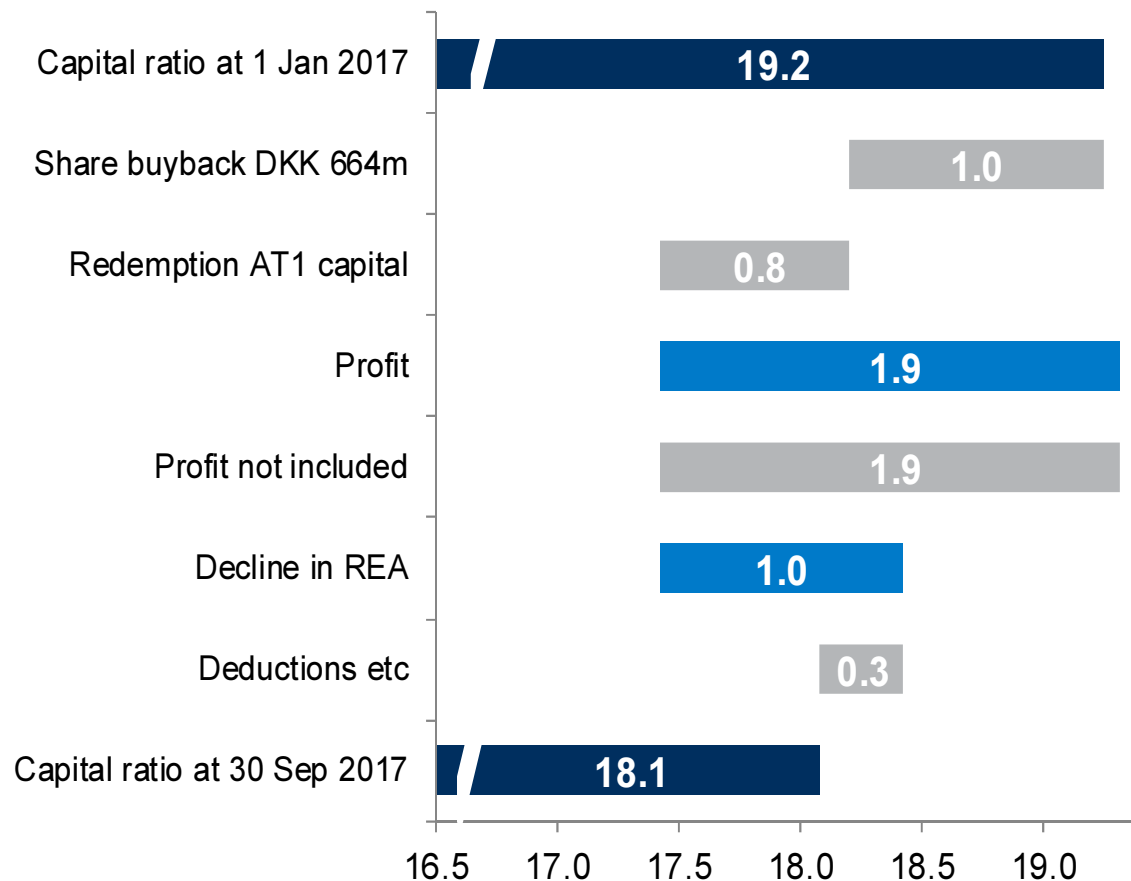
Key points 9M 2017:

- The implemented share buyback programme of DKK 664m has reduced capital ratios by 1.0% in Q1 2017
- The repayment of Additional Tier 1 capital totalling DKK 828m has reduced the capital ratio by 0.8%
- The large reduction in risk-weighted assets is mainly attributable to market risk and credit risk
- Overall the Common Equity Tier 1 capital ratio has decreased by 0.6% in 9M 2017
- 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 2015	Q4 2016	Q2 2017	Q3 2017
Corporate, IRB	32,241	30,306	29,449	29,148
Retail, IRB	9,583	9,200	8,692	8,410
Corporate, STD	767	605	551	484
Retail, STD	553	648	689	725
Credit institutions etc.	1,787	924	1,259	1,428
Credit risk total	44,931	41,683	40,640	40,195

Capital ratio development in 9M 2017

Profit for 9M 2017 is not included in the calculation of the capital ratio

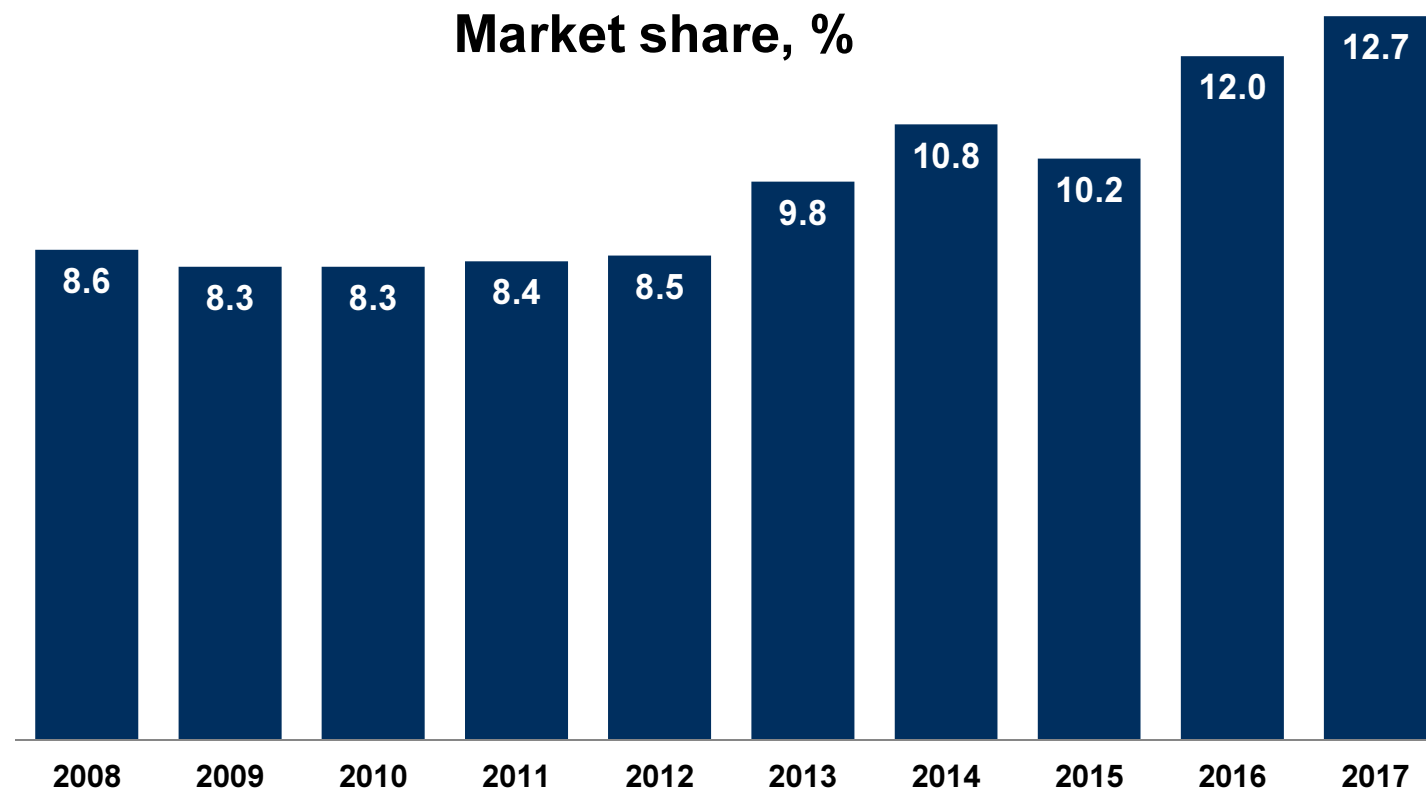


Key points:

- The implemented share buyback programme of DKK 664m has reduced the capital ratio by 1.0 percentage point
- The announced repayment of Additional Tier 1 capital has reduced the capital ratio by 0.8 percentage point
- The reduction in risk exposure amount – REA – is mainly attributable to market risk and credit risk.

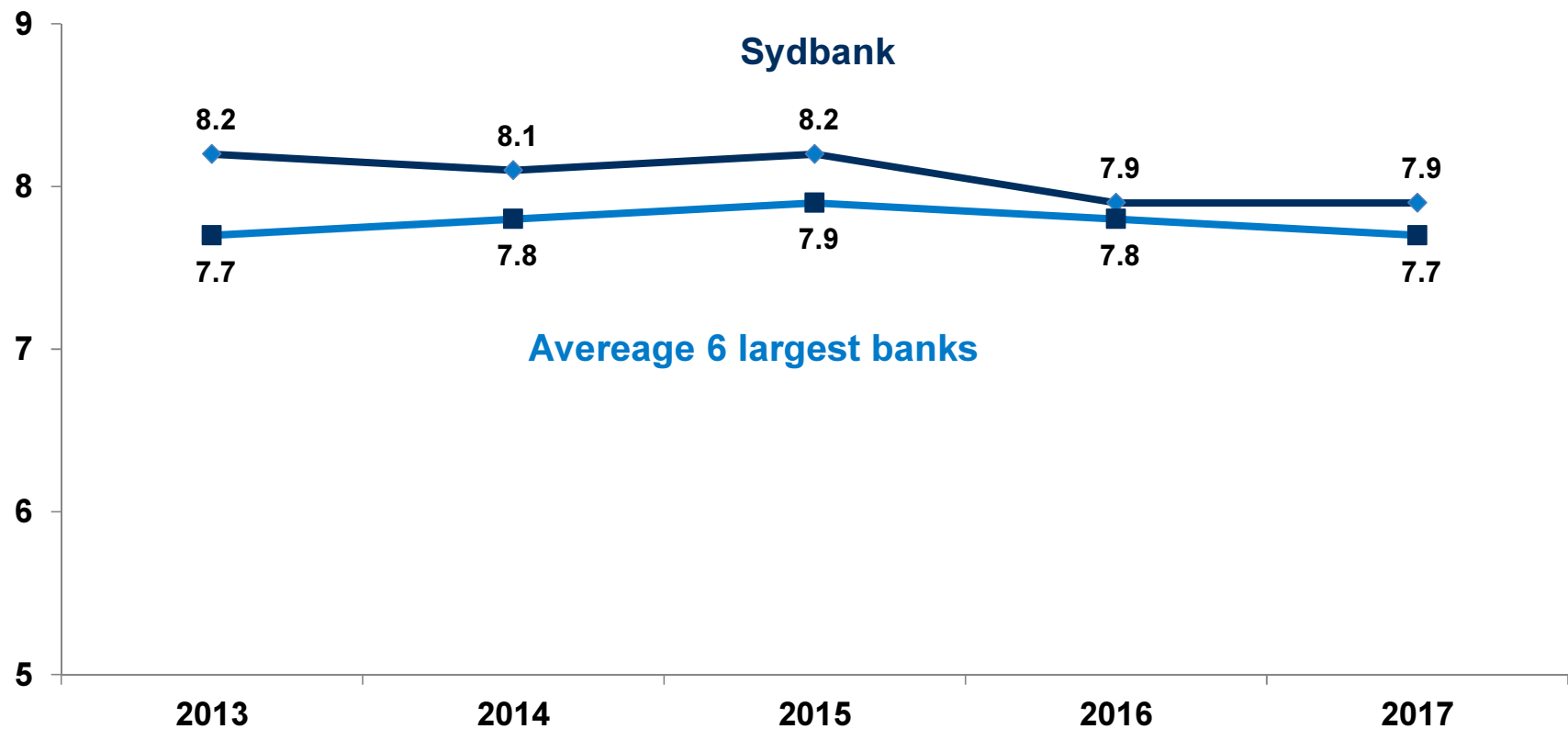
Development in market share as primary bank – enterprises with 10-499 employees

According to Aalund Bankbarometer Sydbank has improved its market share from 8.6% in 2008 to 12.7% in 2017 making it Denmark's third largest corporate bank.



Overall satisfaction – enterprises with 10-499 employees

We retain satisfaction at the same level as in 2016 – despite a fall in average satisfaction with the 6 largest banks.



Status – targets

Target	Objective	Status 30 September 2017	Comment
Return on shareholders' equity after tax	Over 12%*	13.9%	Progressing as planned
Customer satisfaction - Corporate	Top 3 **	4th - Aalund	Not met in 2017
Customer satisfaction - Retail	Top 3 **	5th - EPSI	Not met in 2017
Common Equity Tier 1 capital ratio	Around 13.5%	15.5%	Met from Q3 2013
Capital ratio	Around 17.0%	18.1%	Met from Q1 2015
Dividend	30-50% of profit for the year after tax	50% of profit for the year after tax in 2016	Met in 2016

* or top 3 ranking among the 6 largest banks

** among the 6 largest banks

Outlook for 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 lower than the level recorded in 2016.
- 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.

Questions

Thank you

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Forward-looking statements

- This presentation contains statements concerning expectations of future developments, including future income as well as expected business events.

Such statements are by their nature uncertain and associated with risks as many factors – of which some may be beyond Sydbank's control – may cause the actual developments to deviate materially from management's expectations as expressed in this presentation.

Sydbank's history

Den Nordslesvigske Folkebank	Folkebanken for Als og Sundeved		Graasten Bank		Tønder Landmandsbank
Sydbank A/S 1970					
Århus Bank 1983	Fynske Bank 1984	6'juli Banken 1987	Fællesbanken 1988	DMK-Holding 1988	Sparekassen Sønderjylland 1990
Sydbank Sønderjylland A/S			Syd-Sønderjylland Holding A/S		
1990					
Varde Bank 1994			Aktivbanken 1994		
Sydbank A/S 1995					
Egnsbank Fyn 2002	BCN Kiel 2007	bankTrelleborg 2008	Gries & Heissel Bankiers 2012	Tønder Bank 2012	DiBa Bank 2013
Sydbank A/S 2017					