

Sydbank's Interim Report – Q1 2018

Satisfactory result – return on shareholders' equity of 14.8% p.a. after tax

Sydbank has delivered a satisfactory performance for the first three months of 2018 and maintains a high level of earnings. Core income is at the same high level as in Q1 2017. Trading income is at a satisfactory level. Due to the good credit quality impairment charges were reversed for the 4th consecutive quarter. The Group's loans and advances have effectively dropped by DKK 0.3bn adjusted for the effect of the funding of mortgage-like loans.

CEO Karen Frøsig comments on Sydbank's Q1 result:

- I am pleased to note continued high and stable earnings. Profit after tax equals a return on shareholders' equity of 14.8% p.a.

Karen Frøsig elaborates:

- The financial health of the Bank's customers is generally good, which means that the need for impairment charges for loans and advances is limited. As a result of the current level of interest rates combined with relatively low demand for new loans and advances as well as keen competition, net interest income continues to be under pressure. But I am very glad that the drop in net interest income has been offset by a rise in other core income, bringing total core income to the level achieved in the same period in 2017.

Q1 2018 – highlights

- Profit of DKK 431m equals a return of 14.8% p.a. on shareholders' equity after tax.
- Core income of DKK 1,053m is on a par with the level in the same period in 2017.
- Impairment charges for loans and advances represent an income of DKK 13m and are DKK 24m lower than in the same period in 2017.
- Bank loans and advances including funded mortgage-like loans have decreased by DKK 0.3bn, equal to 0.5% compared to year-end 2017. Bank loans and advances excluding funded mortgage-like loans have declined by DKK 0.8bn, equal to 1.2% in Q1 2018.
- The Common Equity Tier 1 capital ratio has decreased by 0.7 percentage points compared to year-end 2017 and constitutes 16.6% excluding profit for the period. When including 50% of profit for the period, the Common Equity Tier 1 capital ratio stands at 17.0%.
- A share buy-back programme of DKK 500m was commenced on 21 February 2018.

Outlook for 2018

- Limited growth is projected for the Danish economy in 2018.
- Total income is expected to be on a par with the income generated in 2017.
- Costs (core earnings) are projected to rise slightly in 2018.
- Impairment charges for 2018 are forecast to be at a low level. The uncertainty surrounding price developments in the agricultural sector may however affect impairment charges.
- Non-recurring items, net, are expected to represent around DKK 35m.
- Profit after tax is expected to be in the range of DKK 1,340m-1,540m.
- The outlook is subject to uncertainty and depends among other things on macroeconomic factors.

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: 32063551#

