

## Sydbank's Interim Report – First Half 2018

The half year is characterised by improved credit quality, uncertainty over the impact of the dry summer on agriculture as well as negative investment portfolio earnings caused by global uncertainty

CEO Karen Frøsig comments on Sydbank's 1H result:

- The first six months were characterised by a continued improvement in customers' sound financial health. Consequently impairment charges were reversed for the fifth consecutive quarter – despite substantial impairment charges as regards agricultural exposures, including an increase in management estimates of DKK 50m. The impairment charges as regards agriculture are mainly a consequence of the exceptional drought this summer. Increased global uncertainty has resulted in significant negative investment portfolio earnings. Overall we maintain our forecast of profit after tax in the range of DKK 1,340m-1,540m. Due to the development in investment portfolio earnings profit after tax is expected to be in the lower part of the range.

### 1H 2018 – highlights

- Profit of DKK 668m equals a return on shareholders' equity of 11.7% p.a. after tax.
- Core income of DKK 2,040m is 3% lower compared with the same period in 2017.
- Impairment charges for loans and advances represent an income of DKK 57m, equal to an improvement of DKK 48m compared with the same period in 2017.
- Total credit intermediation has declined by DKK 0.9bn, equal to 0.6% compared to year-end 2017.
- The share buyback of DKK 500m commenced on 21 February 2018 and was increased by DKK 750m at the extraordinary general meeting on 22 June 2018, bringing the total share buyback programme to DKK 1,250m. The overall share buyback programme has reduced capital ratios by 2.1 percentage points.
- Predominantly due to the overall share buyback programme, the Common Equity Tier 1 capital ratio has declined by 1.8 percentage points compared to year-end 2017 and constitutes 15.5% excluding profit for the period. When including 50% of profit for the period the Common Equity Tier 1 capital ratio stands at 16.1%.

### 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.
- Non-recurring items, net are expected to represent an income of around DKK 35m.
- Profit after tax is expected to be in the range of DKK 1,340m-1,540m. Based on investment portfolio earnings for 1H 2018 profit after tax is expected to be in the lower part of the range.

### 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](http://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: 75245303#