



Presentation – Sydbank

Aabenraa January 2019

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

Robust economic backdrop, high employment, public sector and current account surpluses

Business model

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

Profit

Highly satisfactory result for 2017 of DKK 1,531m – Estimated DKK 1,150-1,225m for full year 2018

Impairment charges

Impairment charges for loans and advances represent income of DKK 71m Q1-Q318 (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 A2 (pos. outlook) issuer- and long term deposit rating

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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.



Sydbank's development



Outlook for 2018 – downward revision

- Total income is expected to be lower than 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 60m.
- Profit after tax full-year 2018 is forecast to be in the range of DKK 1,150m-1,225m. In our interim report for Q3 2018 profit after tax was expected to be in the range of DKK 1,250m-1,325m.

Total credit intermediation

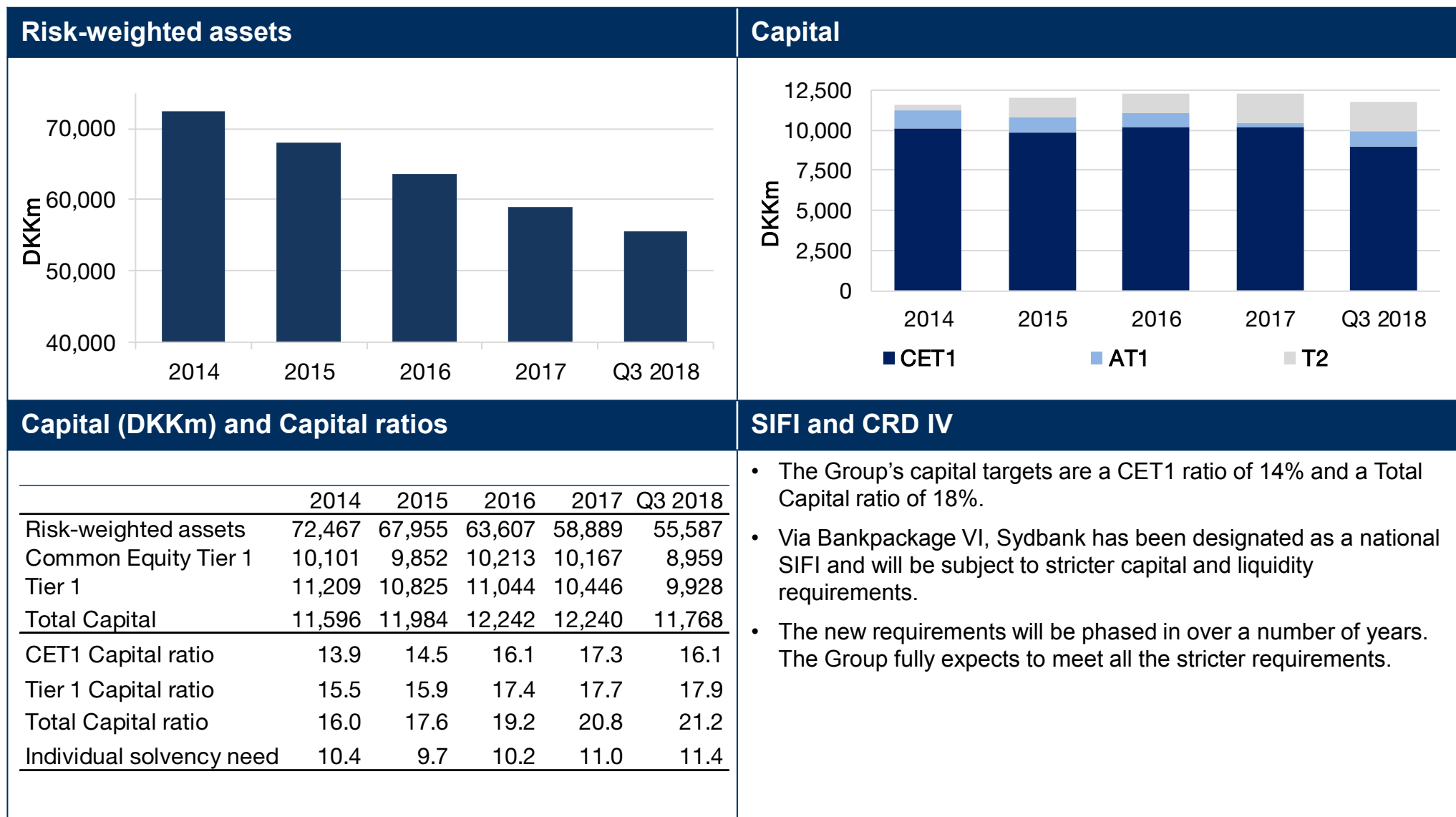
Total credit intermediation

DKKbn	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Change Q3
Bank loans - retail	18.0	16.9	16.5	16.0	-0.5
Bank loans - corporate	46.0	46.5	45.9	45.9	0.0
Bank loans - public authorities	0.3	0.1	0.2	0.2	0.0
Bank loans - total	64.3	63.5	62.5	62.1	-0.5
Funded mortgage-like loans	10.0	10.5	10.3	10.1	-0.2
Bank loans and funded loans	74.3	74.0	72.8	72.2	-0.6
Arranged mortgage loans - Totalkredit	58.0	58.3	58.8	59.2	0.4
Arranged mortgage loans - DLR	11.7	11.5	11.5	11.5	0.0
Total	144.0	143.8	143.1	142.9	-0.2

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

Strong capital base



Capital ratio and Tier 1 ratio have been strengthened in 9M 2018 despite the share buyback programme

DKKm	Q4 2017	Q3 2018	De facto
Credit risk	38,933	36,168	36,168
Market risk	6,239	6,001	6,001
Operational risk	8,023	8,023	8,023
Other exposures incl CVA	5,694	5,395	5,395
Risk exposure amount	58,889	55,587	55,587
CET1	10,167	8,959	9,441
Tier 1	10,446	9,928	10,410
Total capital	12,240	11,768	12,250
CET1 ratio	17.3	16.1	17.0
Tier 1 ratio	17.7	17.9	18.7
Capital ratio	20.8	21.2	22.0
Individual solvency need	11.0	11.4	11.4

Key points 9M 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
- Overall the Common Equity Tier 1 capital ratio has decreased by 1.2 pp in 9M 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	Q3 2018
Corporate, IRB	28,131	26,547
Retail, IRB	8,271	7,638
Corporate, STD	413	316
Retail, STD	731	825
Credit institutions etc.	1,387	842
Credit risk total	38,933	36,168

Capital – requirement, planning and targets

Requirement incl all buffers

%	CET1	Total capital
Minimum requirement	4.5	8.0
Pillar II buffer	1.9	3.4
Individual solvency need	6.4	11.4
SIFI buffer	1.0	1.0
Capital conservation buffer	2.5	2.5
Countercyclical buffer	2.5	2.5
Total	12.4	17.4
Target	14.0	18.0
30 September 2018	16.1	21.2

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 capital 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 100m as AT1 capital in Q2 2018.

Existing AT1 capital:

0.4 percentage points transitions into T2 over the next 4 years.

Leverage ratio

Leverage ratio end-Q3 2018 is 6.7%

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:

Baseline credit assessment: Baa1

Senior unsecured: A2

Long-term deposit: A2 – positive outlook

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)	Q3 2018	2017	2016
Total liquidity buffer	32.9	29.4	28.0
Net cash outflows	19.1	16.7	16.9
LCR (%)	173	176	166

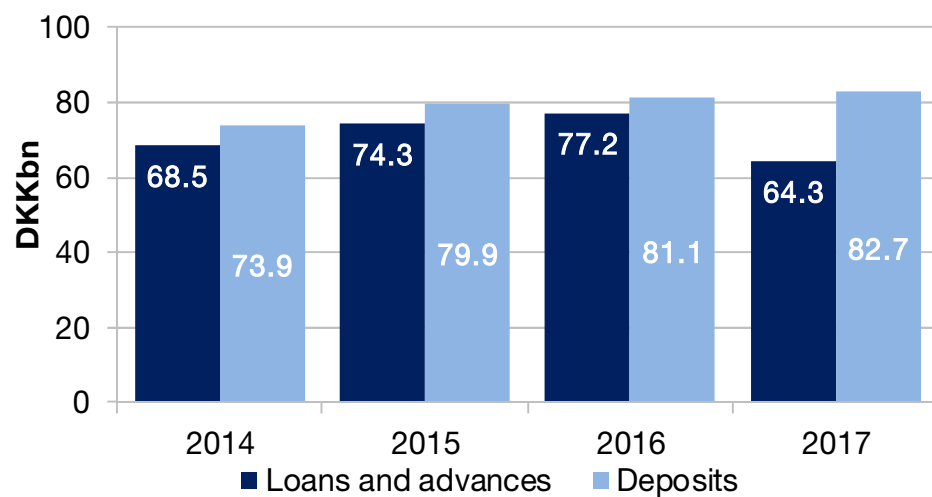
The regulatory LCR requirement is 100% met consequently and the Group's excess cover is significant at 30 September 2018.

Funding

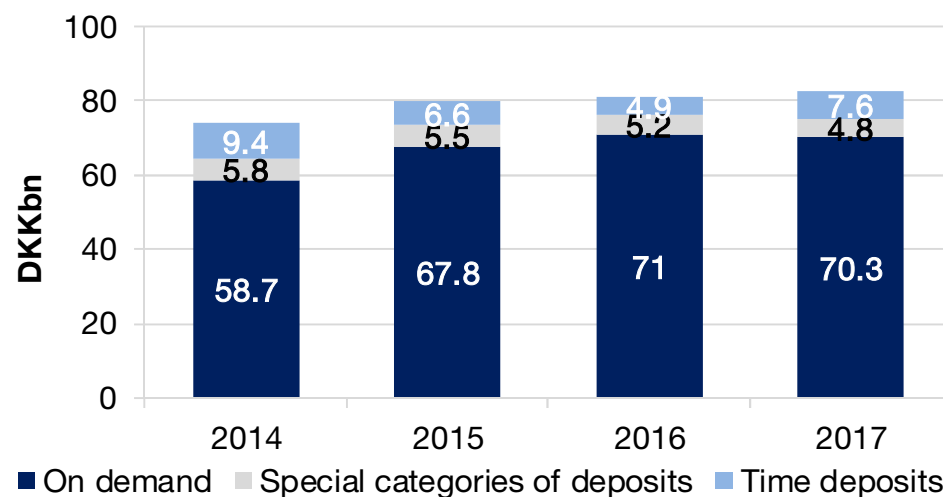
Funding strategy

- 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

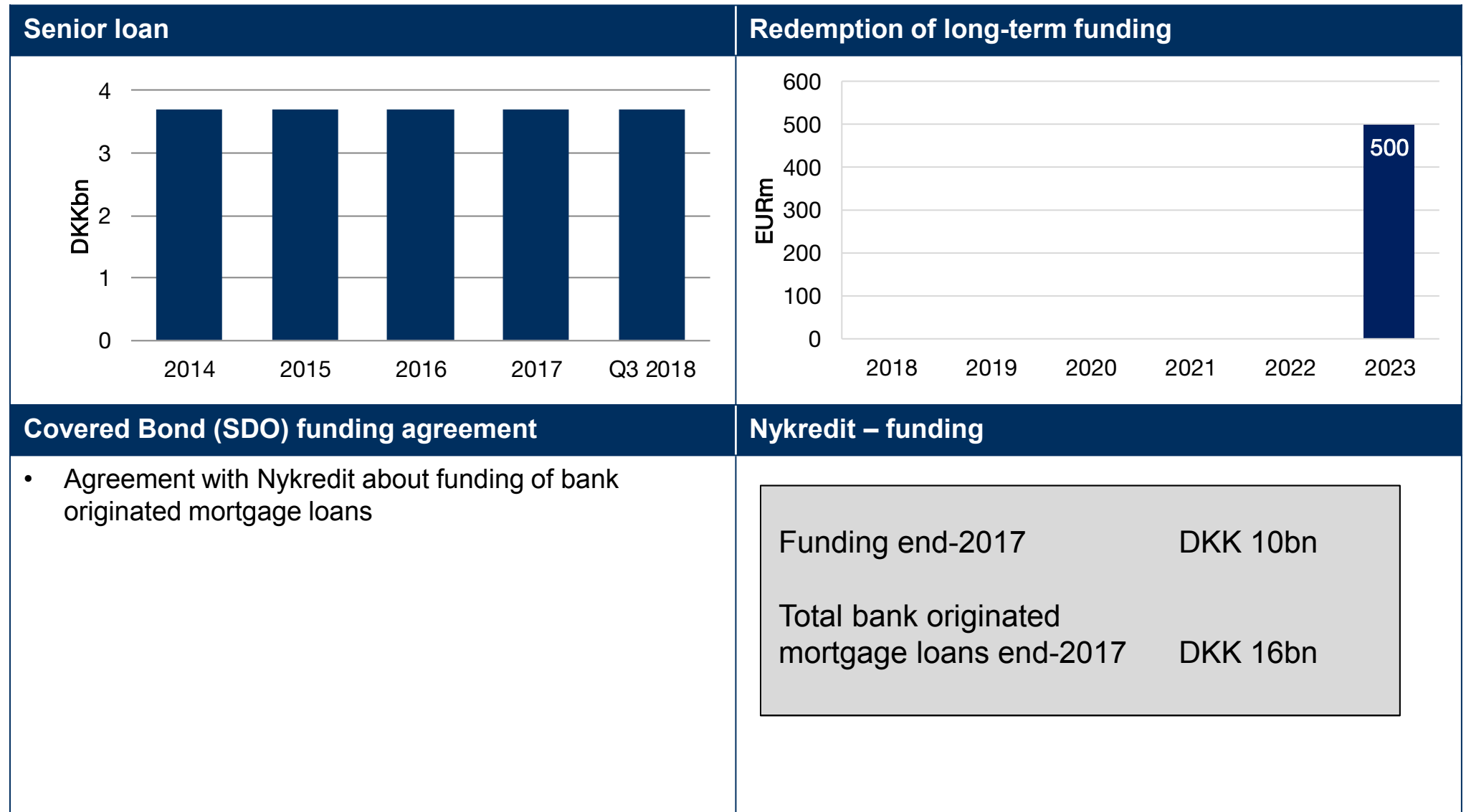
Loans and advances/deposits



Deposits



Long-term funding



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Sound economic structure

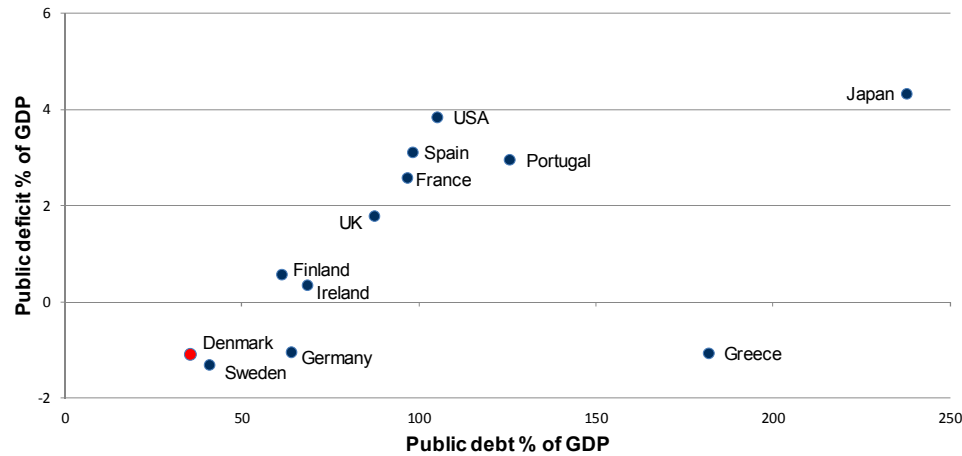
Macroeconomic outlook					
	2016	2017	2018	2019F	2020F
Private consumption (%)	2.1	1.6	2.4	2.3	2.3
Government consumption (%)	0.4	0.6	0.4	0.4	0.6
Gross investment (%)	5.6	4.5	10.8	2.9	5.0
Exports (%)	2.5	4.4	1.8	2.5	3.0
Imports (%)	2.4	4.3	4.7	3.0	4.0
GDP (%)	2.0	2.3	1.3	1.6	1.6
Current account, DKKbn	163	158	118	129	131
Unemployment (gross,1000)	113	115	110	100	90
Consumer prices (%)	0.2	1.2	0.8	1.5	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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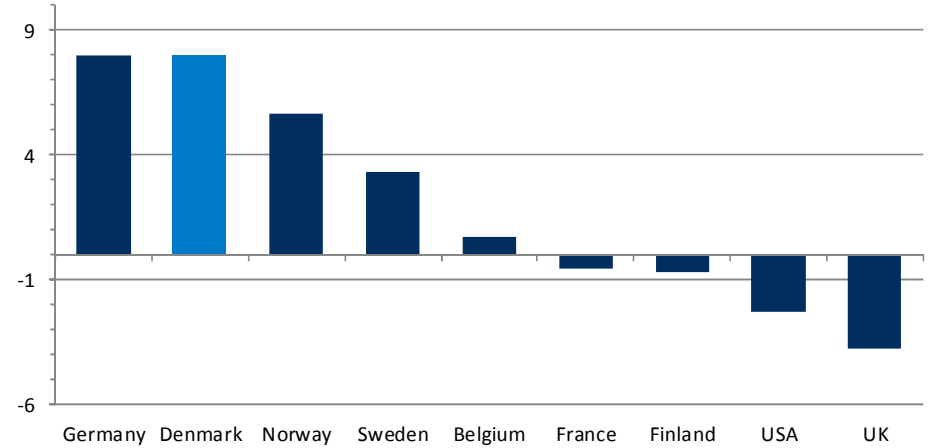
Source: Nationalbank and Danmark Statistik

Snapshot of the Danish Economy

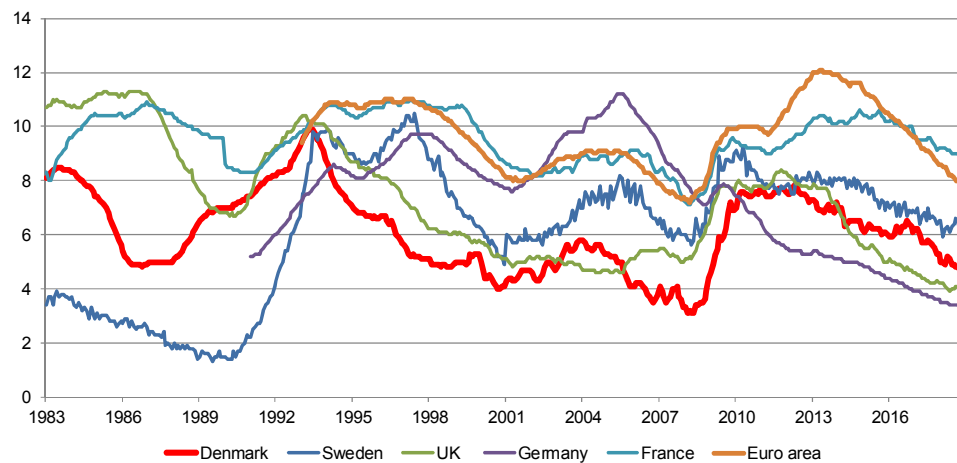
Public deficit vs public debt – 2017



Current account, % of GDP 2017



Unemployment, %

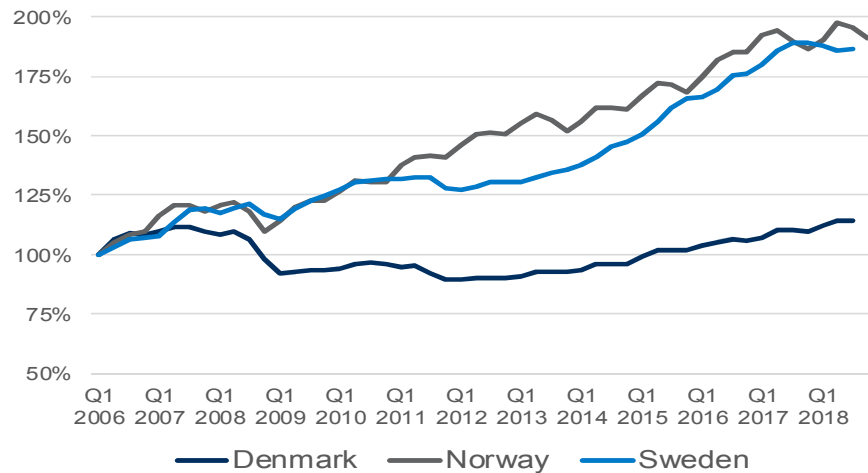


Key points

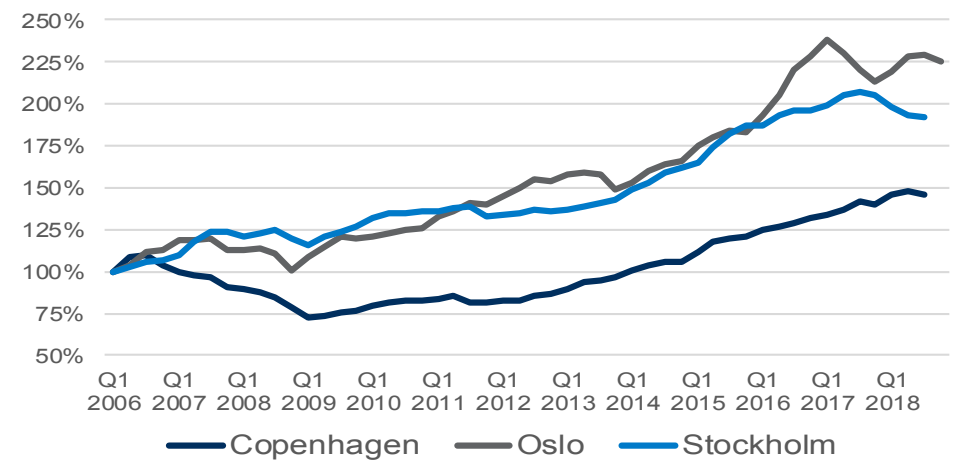
- Public surplus in 2017: 1.1% of GDP
- The overall structural features of the Danish economy continue to look strong with large net foreign assets, a large current account surplus and low public debt level
- Unemployment continues to drop and employment is rising sharply.

Property prices

House prices – Scandinavia (Q1 2006 = 100)



House prices – capitals (Q1 2006 = 100)

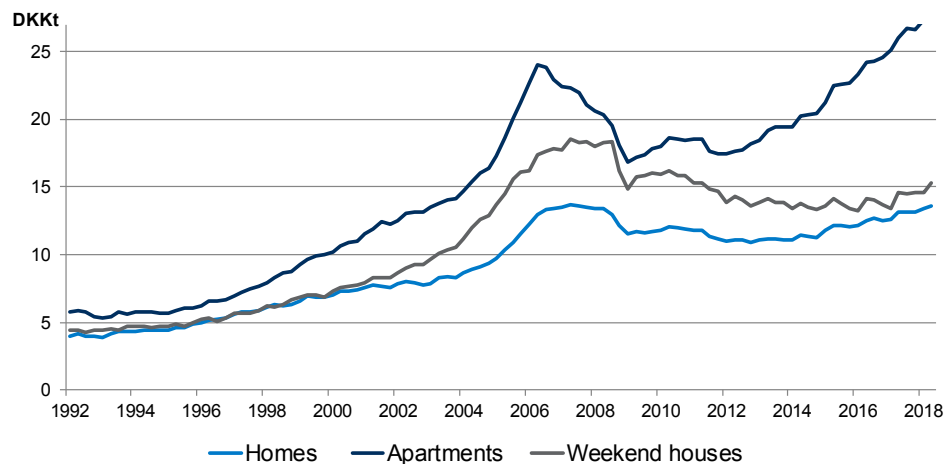


Property market conditions

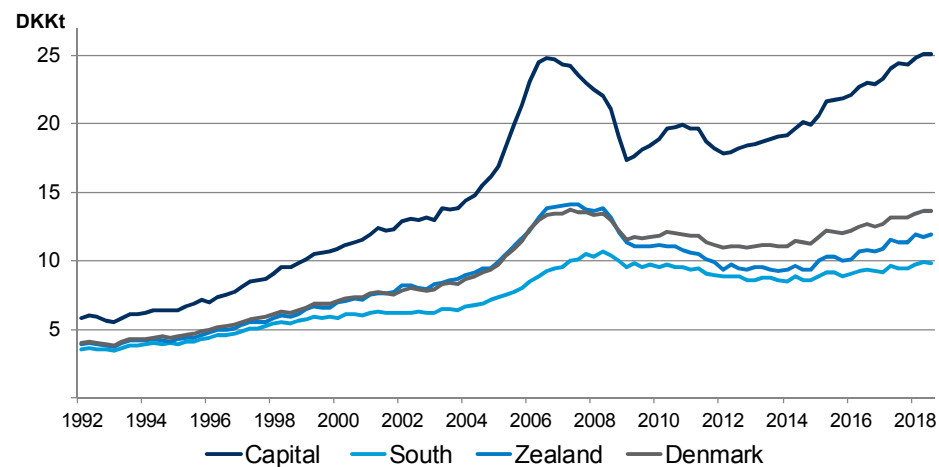
- Sharp rise in prices in Norway and Sweden – predominantly in capitals
- Oslo: 125% price increase since Q1 2006
- Stockholm: 92% price increase since Q1 2006
- Copenhagen: 46% price increase since Q1 2006

Property prices

House prices – whole country (DKK per square metre)



House prices – region (DKK per square metre)



Property market conditions

- House prices are up 25% since the beginning of 2013
- Apartments are up 52% since the beginning of 2013
- 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 acceleration rights except in the event of (i) non payment in respect of the Non-Preferred Senior Notes or (ii) bankruptcy or liquidation
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: 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

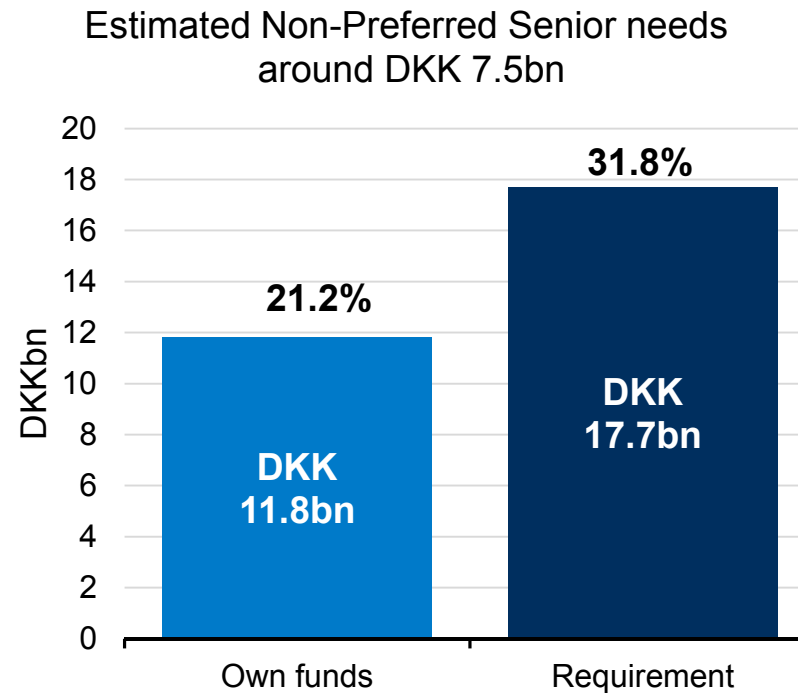
Note: The summary terms outlined above are qualified in their entirety by reference to the terms and conditions which are described in the GMTN Programme dated 8th June 2018. In case of any discrepancy, the terms and conditions of the GMTN Programme prevail.

MREL

MREL requirements apply from 1 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	3.4
SIFI buffer	1.0
Capital conservation buffer	2.5
Counter cyclical buffer (January 2020)	1.0
Total	15.9
MREL = 2 * 15,9	31.8



Sydbank's actual capital – end Q3-2018 – is 21.2%

⇒ Sydbank needs to issue a minimum of DKK 5.9bn in 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 and EUR 500m NPS in September 2018
- A good result in 2017 due to a good performance and lower impairment charges
- 9M 2018 profit after tax DKK 963m (9M 2017: DKK1,204m)
- 9M 2018 ROE 11.2% (9M 2017: 13.9%)
- Tight cost control
- Strong capital base – CET1 at 16.1% as of end Q3 2018
- Strong liquidity position with LCR significantly above the regulatory minimum

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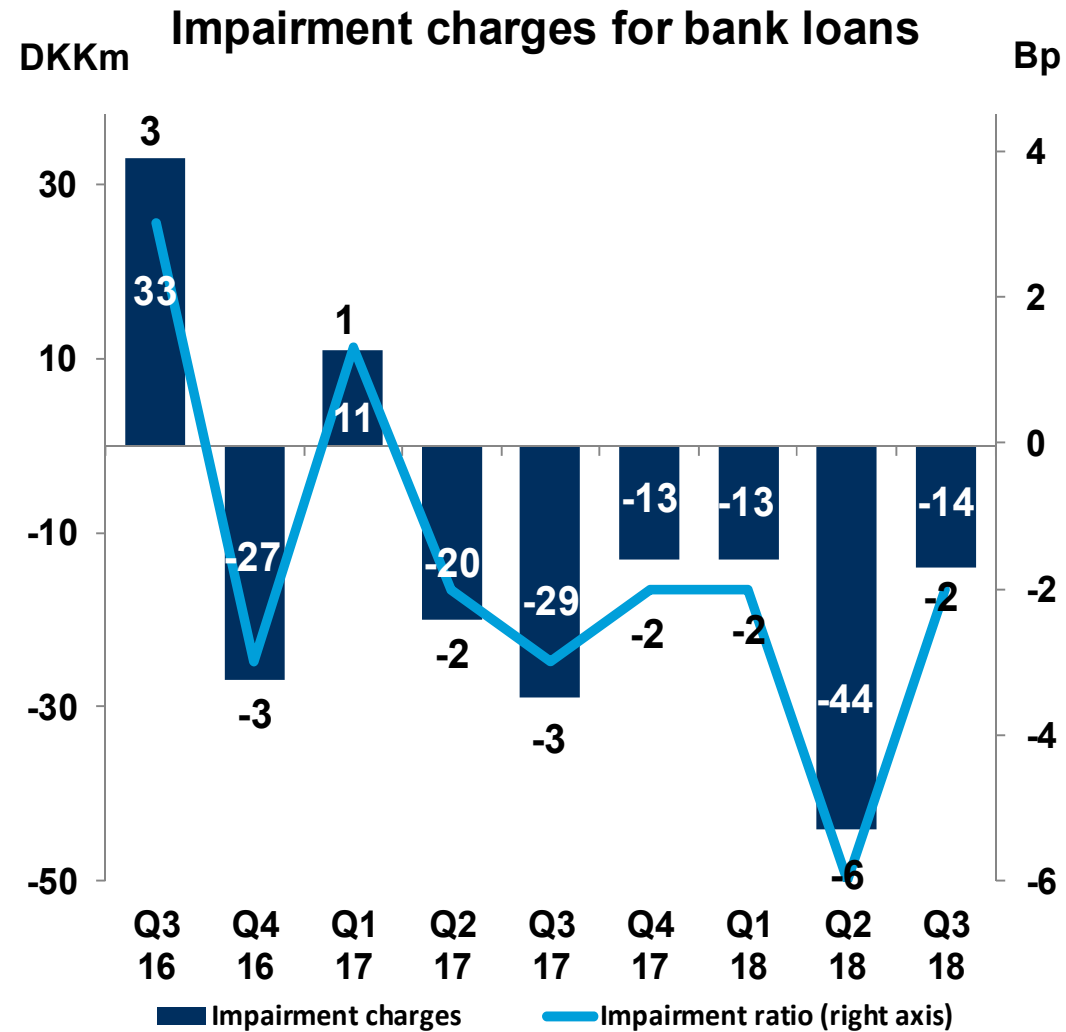
Income statement

DKKm	2013	2014	2015	2016	2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018
Core income	4,058	4,319	4,329	4,198	4,167	1,038	1,053	987	963
Trading income	229	196	215	237	233	36	55	45	40
Total income	4,287	4,515	4,544	4,435	4,400	1,074	1,108	1,032	1,003
Costs, core earnings	2,514	2,619	2,675	2,590	2,637	645	703	694	639
Core earnings before impairment	1,773	1,896	1,869	1,845	1,763	429	405	338	364
Impairment of loans and advances etc	1,861	707	316	87	-51	-13	-13	-44	-14
Core earnings	-88	1,189	1,553	1,758	1,814	442	418	382	378
Investment portfolio earnings	319	76	-80	104	182	-13	-12	-66	10
Profit before non-recurring items	231	1,265	1,473	1,862	1,996	429	406	316	388
Non-recurring items etc, net	-60	64	0	7	-40	-17	105	-13	-9
Profit before tax	171	1,329	1,473	1,869	1,956	412	511	303	379
Tax	-16	277	325	397	425	85	80	66	84
Profit for the period	187	1,052	1,148	1,472	1,531	327	431	237	295

Balance sheet

DKKbn	2014	2015	2016	2017	Q3 2018
Loans and advances, bank loans	68.5	74.3	77.2	64.3	62.1
Loans and advances at fair value	6.9	10.2	6.1	5.2	6.0
Deposits and other debt	73.9	79.9	81.1	82.7	82.7
Bonds issued at amortised cost	3.7	3.7	3.7	3.7	3.7
Subordinated capital	1.4	2.1	2.1	1.9	1.9
Shareholders' equity	11.3	11.4	11.8	11.9	11.1
Total assets	152.3	142.7	146.7	138.5	135.0

Impairment charges constitute minus DKK 14m in Q3 2018, equal to minus 2bps



IFRS 9 – exposures and allowance account divided into stages

DKKm	30 September 2018	Stage 1	Stage 2	Stage 3	Total
Loans and advances before impairment charges		56,528	5,686	2,656	64,870
Guarantees		12,815	564	155	13,534
Total loans and advances and guarantees		69,343	6,250	2,811	78,404
%		88.4	8.0	3.6	100.0
Impairment of loans and advances		97	1,186	1,525	2,808
Provisions for undrawn credit commitments		15	16	5	36
Provisions for guarantees		7	60	126	193
Total allowance account		119	1,262	1,656	3,037
Impairment charges as % of loans and advances		0.2	20.9	57.4	4.3
Provisions as % of guarantees		0.1	10.6	81.3	1.4
Allowance account as % of loans and advances and guarantees		0.2	20.2	58.9	3.9
Loans and advances before impairment charges		56,528	5,686	2,656	64,870
Impairment of loans and advances		97	1,186	1,525	2,808
Loans and advances after impairment charges		56,431	4,500	1,131	62,062
%		90.9	7.3	1.8	100.0

Agriculture – impairment ratio of 15.5% at end-Q3 2018, up by 4.4 percentage points from the level at year-end 2017

30 September 2018

DKKm	Pig farming	Cattle farming	Crop production	Other agriculture	Total
Bank loans - stage 1	725	627	732	641	2,725
Bank loans - stage 2	197	298	245	328	1,068
Bank loans - stage 3 - credit impaired	161	145	67	111	484
Total bank loans	1,083	961	1,091	1,005	4,140
Impairment charges stage 1	3	4	2	2	11
Impairment charges stage 2	53	73	64	55	245
Impairment charges stage 3	105	88	31	57	281
Management estimate	100	25	-	-	125
Total impairments	261	190	97	114	662
Loans after impairment charges	822	771	994	891	3,478
Credit impaired as % of bank loans	14.9	13.6	6.4	10.3	11.3
Impairment as % credit impaired loans	65.2	60.7	46.3	51.4	58.1
Impairment as % of bank loans	24.1	17.8	9.3	10.6	15.5

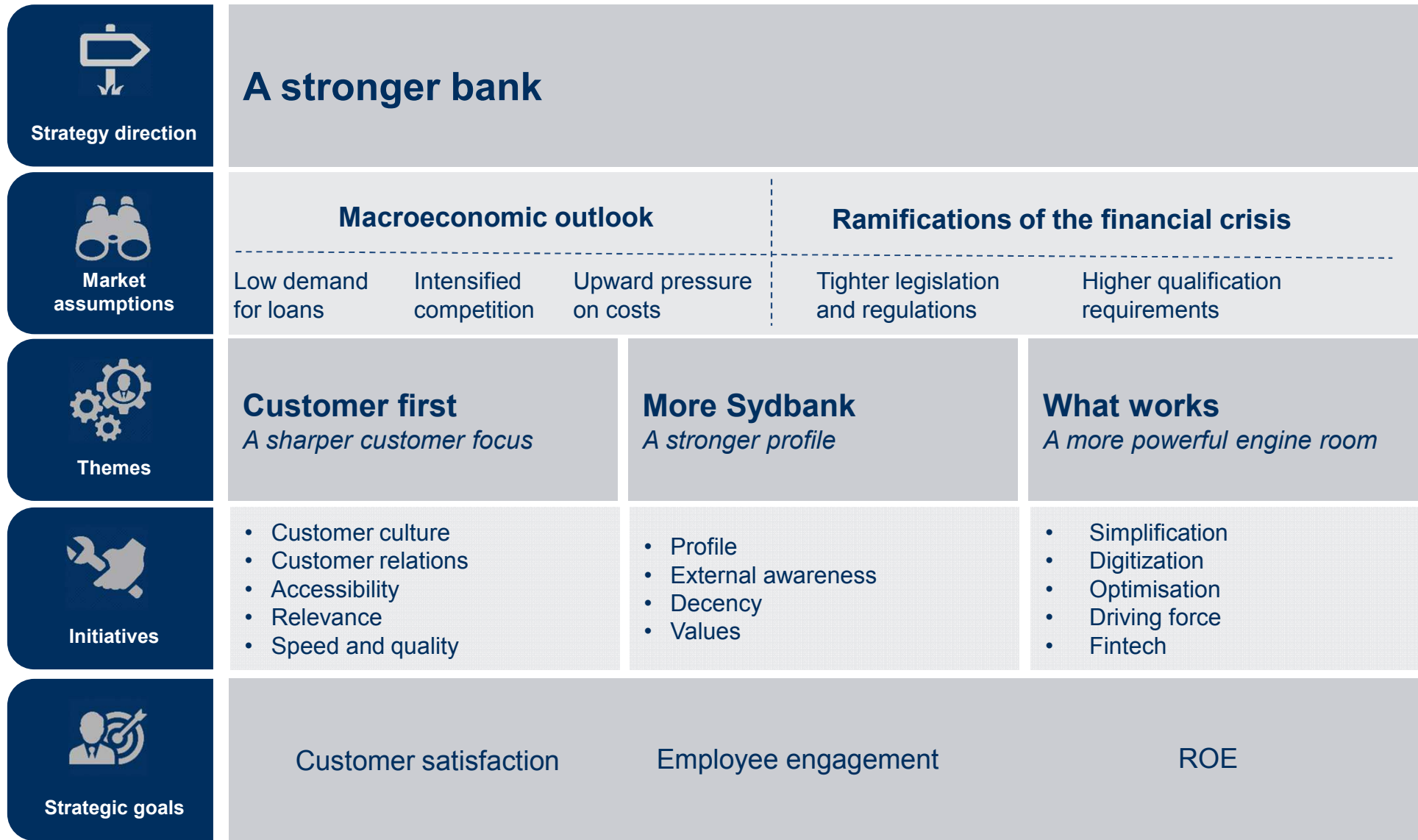
31 December 2017

DKKm	Pig farming	Cattle farming	Crop production	Other agriculture	Total
Bank loans	1,216	1,016	1,110	1,010	4,352
Individual impairment charges	125	128	56	99	408
Collective impairment charges	50	25	-	-	75
Loans after impairment charges	1,041	863	1,054	911	3,869
Impaired bank loans	592	996	103	200	1,891
Impaired as % of bank loans	48.7	98.0	9.3	19.8	43.5
Impairment as % of impaired loans	21.1	12.9	54.4	49.5	21.6
Impairment as % of bank loans	14.4	15.1	5.0	9.8	11.1

Key points:

- In 9M 2018 loans and advances dropped by DKK 75m from year-end 2017
- Credit impaired loans and advances represent DKK 484m, equal to 11.3% of total loans and advances to agriculture
- Impairment charges recorded for 58.1% of credit impaired loans and advances
- Impairment charges recorded for 15.5% of loans and advances at end-Q3 2018 compared with 11.1% at year-end 2017
- If depreciation/amortisation according to the Sydbank model had not been recorded, impairment charges would have represented 25.9% of loans and advances at end-Q3 2018.

Strategy map 2019-2021



We will build a stronger bank – focus on three themes

Themes 	Customer first <i>A sharper customer focus</i> Lifts our customer focus to a new and higher level. The direct link between highly satisfied customers and a positive trend in the top line is the driving force behind the priority of this theme.	More Sydbank <i>A stronger profile</i> Seeks to strengthen Sydbank's profile and visibility internally as well as externally. We will make "Banking" more attractive to customers, employees and shareholders. We will create a more distinct identity and communicate our fundamental values more clearly.	What works <i>A more powerful engine room</i> An investment in the customer meeting a bank – at every touch point – where focus is on the wishes, needs and expectations of the customer. It is an investment in our employees having even simpler and more efficient processes enabling us to spend our time on the customer. It is an investment in using the new technology that works to improve the customer's digital relationship with Sydbank. And it is an investment in ensuring that Sydbank remains a financially sound and well-run business.
Initiatives 	<ul style="list-style-type: none"> • Customer culture • Customer relations • Accessibility • Relevance • Speed and quality 	<ul style="list-style-type: none"> • Profile • External awareness • Decency • Values 	<ul style="list-style-type: none"> • Simplification • Digitization • Optimisation • Driving force • Fintech

Thank you

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