
Interim Report Q1 2019

Brisk activity in financial markets, strong credit quality and continued pressure on core income
1 May 2019

Highlights for Q1 2019

Key points

Brisk activity in financial markets, strong credit quality and continued pressure on core income

A stronger bank

Impressive increase in employee engagement

Profit

Profit of DKK 205m – ROE of 7.3% p.a. after tax

Core income

Core income of DKK 900m – down by 5% compared with Q4 2018

Costs

Costs up by 2% compared with Q1 2018

Impairment charges

Impairment charges represent income of DKK 14m

Bank loans

DKK 0.1bn decline in bank loans and advances
DKK 0.2bn growth in total credit intermediation

CET 1 ratio

CET1 ratio of 16.9% – down by 0.4%

Core income – Q1 2019 down 5% vs Q4 2018

DKKm	Q1 2019	Q1 2018	Index	Q1 2019	Q4 2018	Index
Net interest income etc	381	460	83	381	417	91
Mortgage credit *	141	146	97	141	145	97
Payment services	48	45	107	48	47	102
Remortgaging and loan fees	34	38	89	34	32	106
Commission and brokerage	78	82	95	78	74	105
Commission etc investment funds and pooled pension plans	84	143	59	84	95	88
Asset management	66	67	99	66	70	94
Custody account fees	18	19	95	18	17	106
Other operating income	50	53	94	50	51	98
Total	900	1,053	85	900	948	95
* Set-off of loss Totalkredit	6	6	100	6	6	100

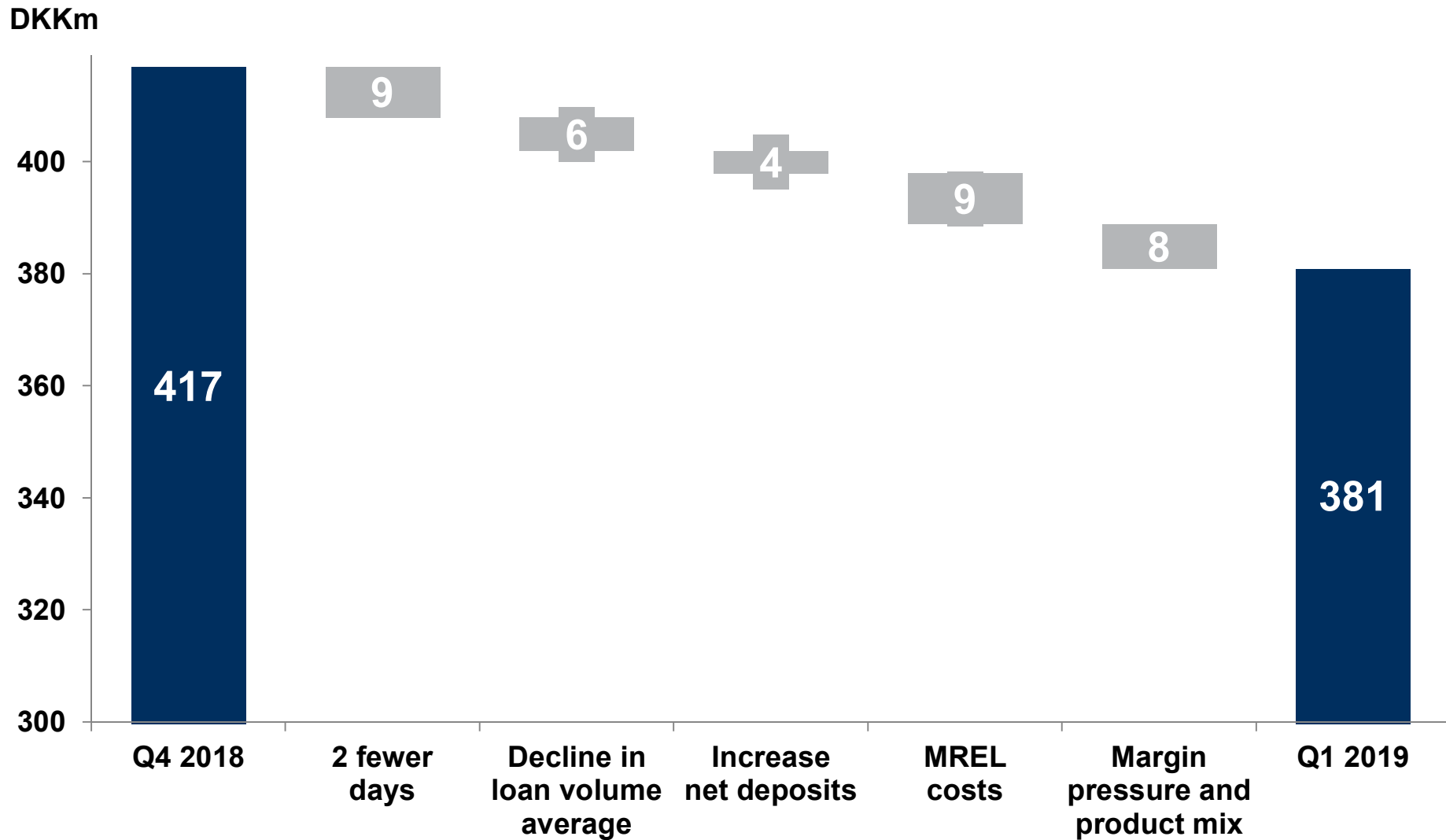
Key points Q1 19 vs Q1 18:

- Net interest income etc down by 17% – 5% due to MREL issues – September 2018 and February 2019
- Commission etc investment funds down by DKK 59m, DKK 41m due to revaluation of BI Holding in Q1 2019
- Other items down by a total of 3%.

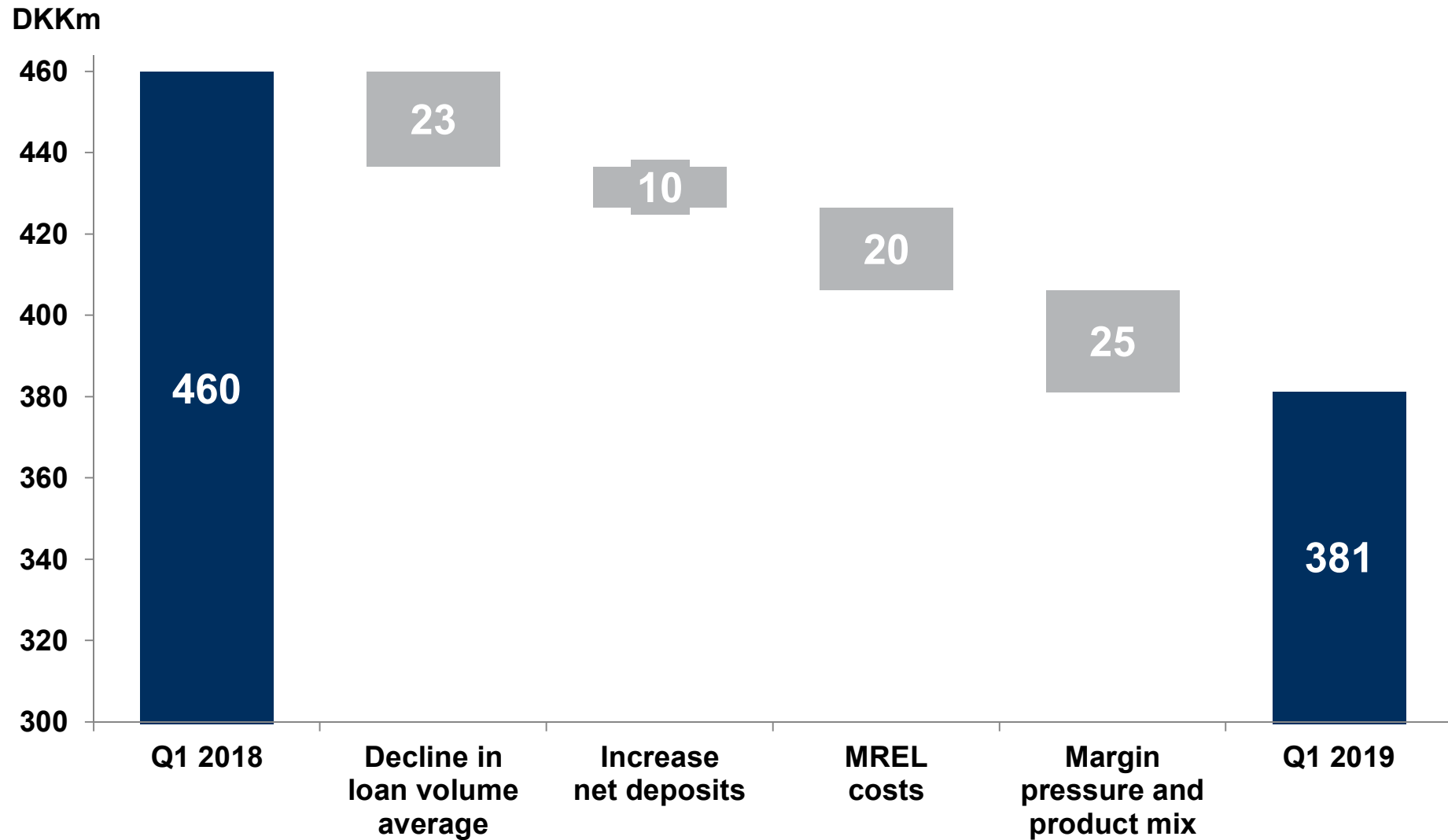
Key points Q1 19 vs Q4 18:

- Net interest income etc down by 9% – 2% due to MREL issue in February 2019 and 2% due to fewer days.
- Other items down by a total of 2%.

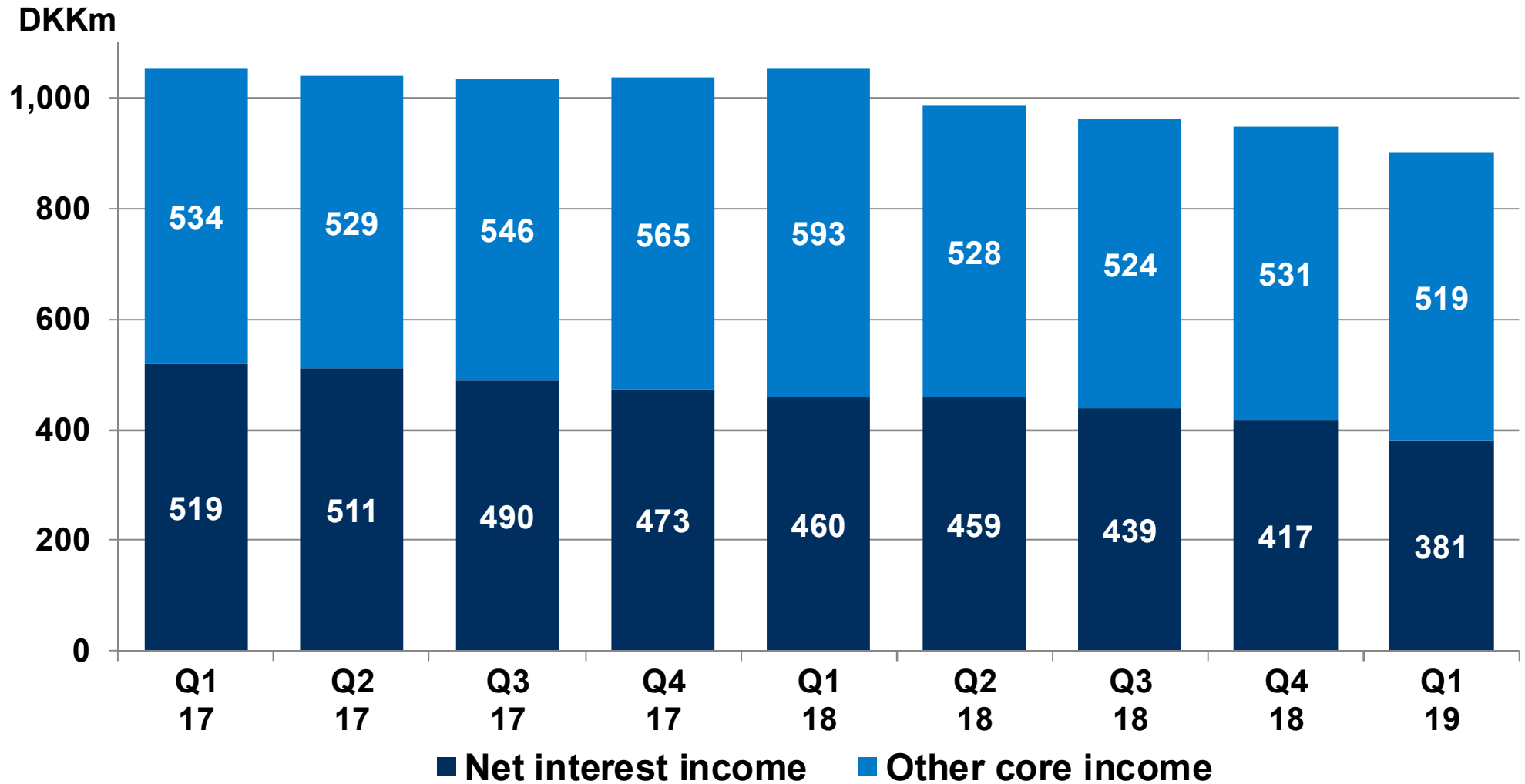
Net interest income etc – development from Q4 2018 to Q1 2019



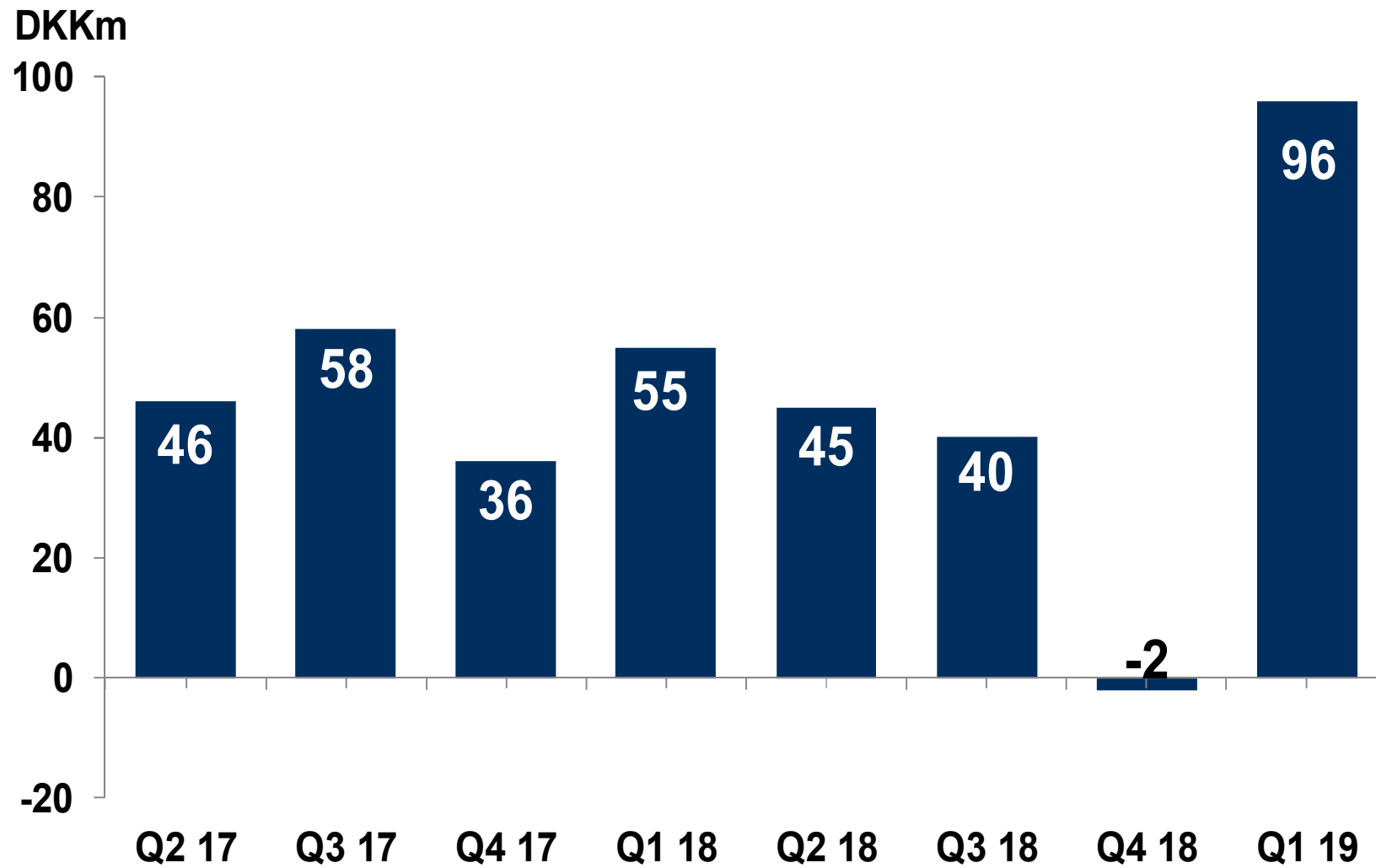
Net interest income etc – development from Q1 2018 to Q1 2019



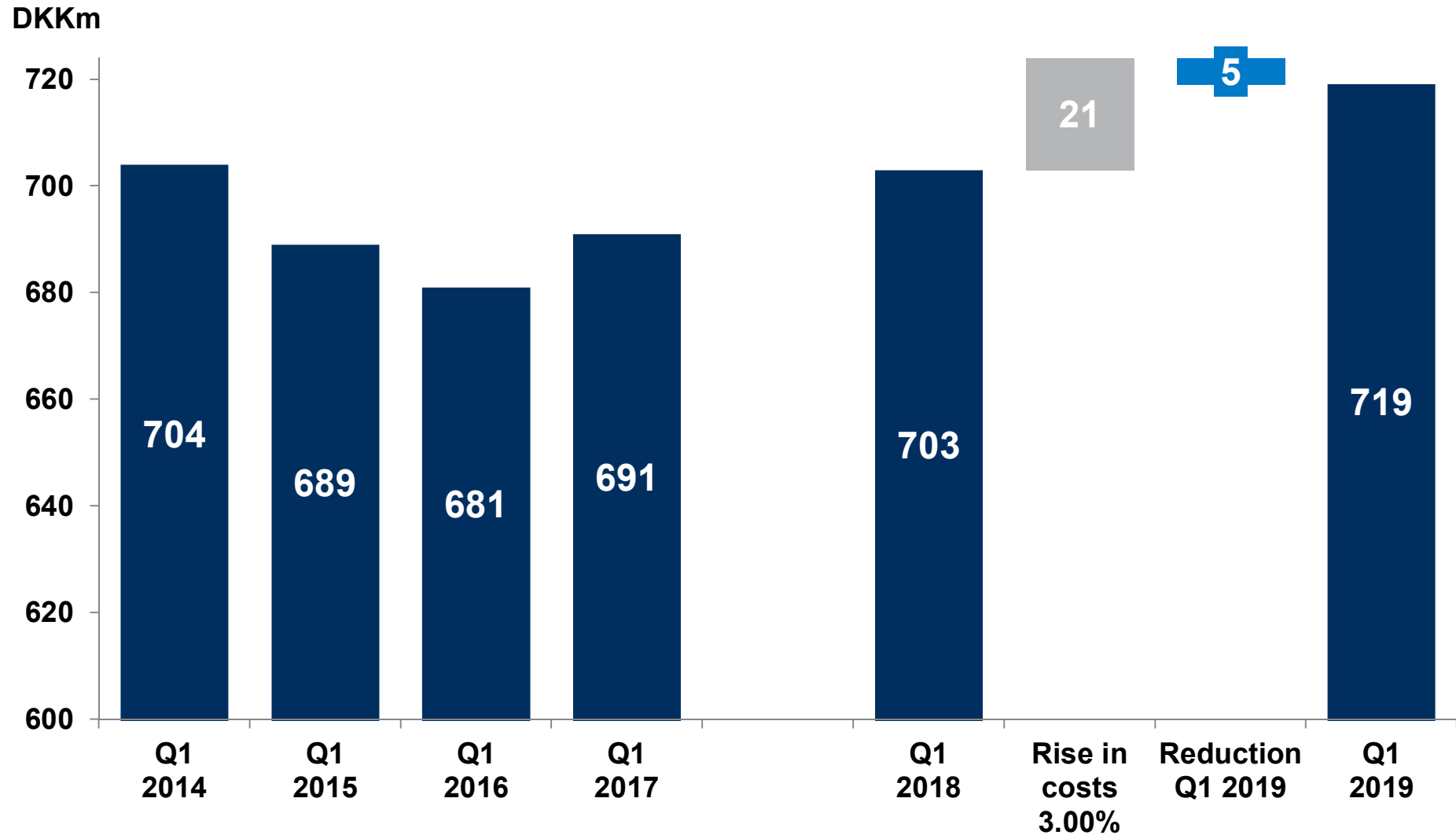
Net interest income represents 42% of core income in Q1 vs 44% in Q4 18



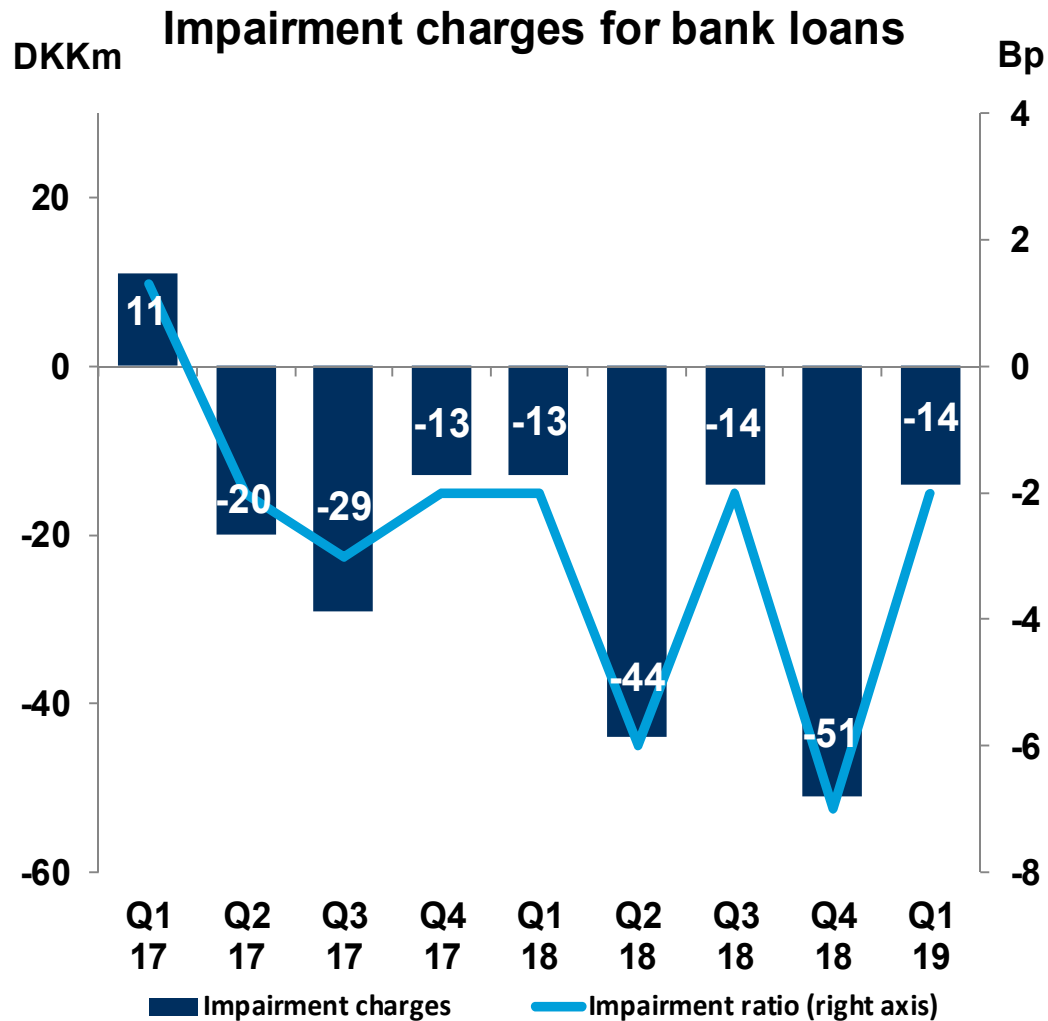
Trading income – high activity in Q1 2019



Costs (core earnings) – reduction of DKK 5m in Q1 2019



Impairment charges constitute minus DKK 14m in Q1 2019, equal to minus 2bps

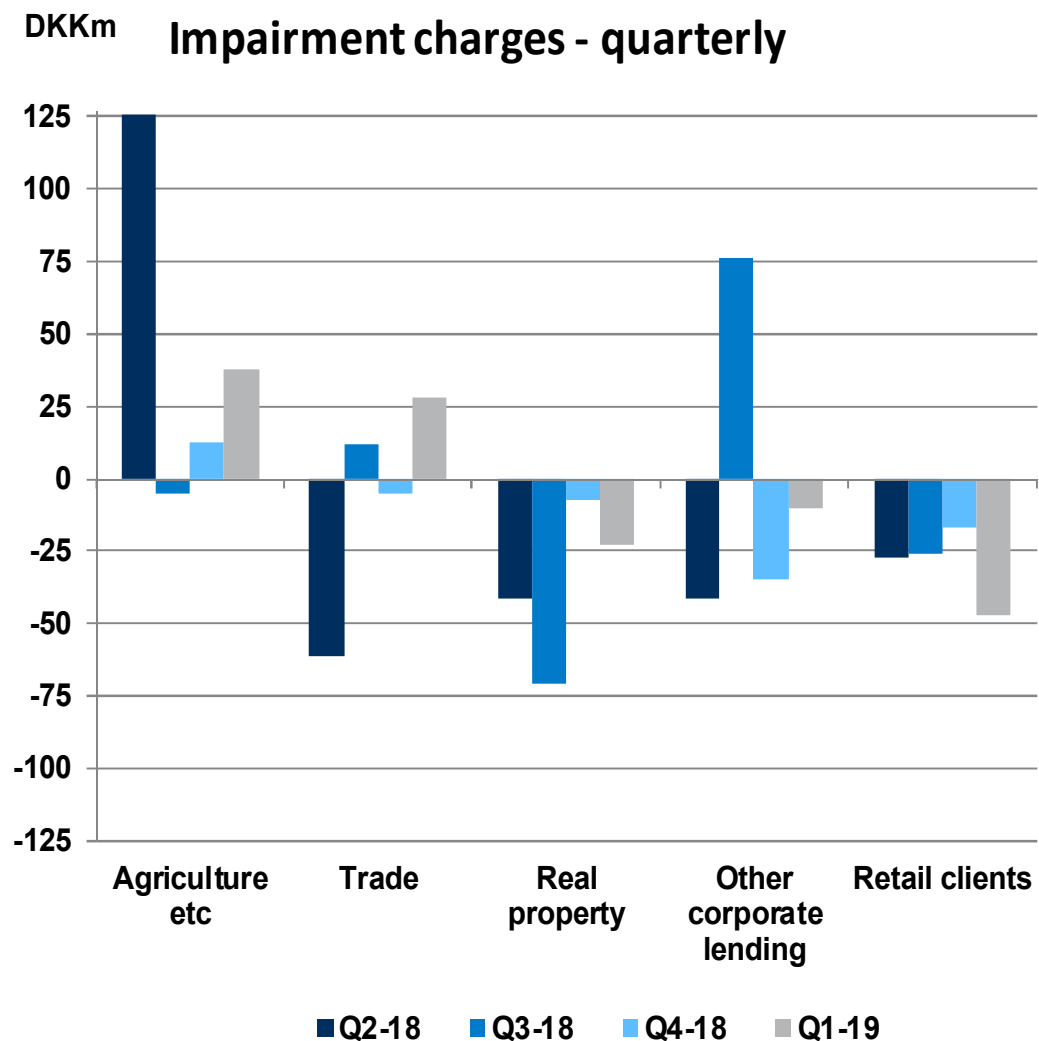


Reversal for eighth consecutive quarter.

Impairment charges represent:

- Minus 2bps in Q1 2019, equal to Q1 2018
- Minus 2bps in Q1 2019, up from minus 7bps in Q4 2018.

Net reversal in Q1 2019



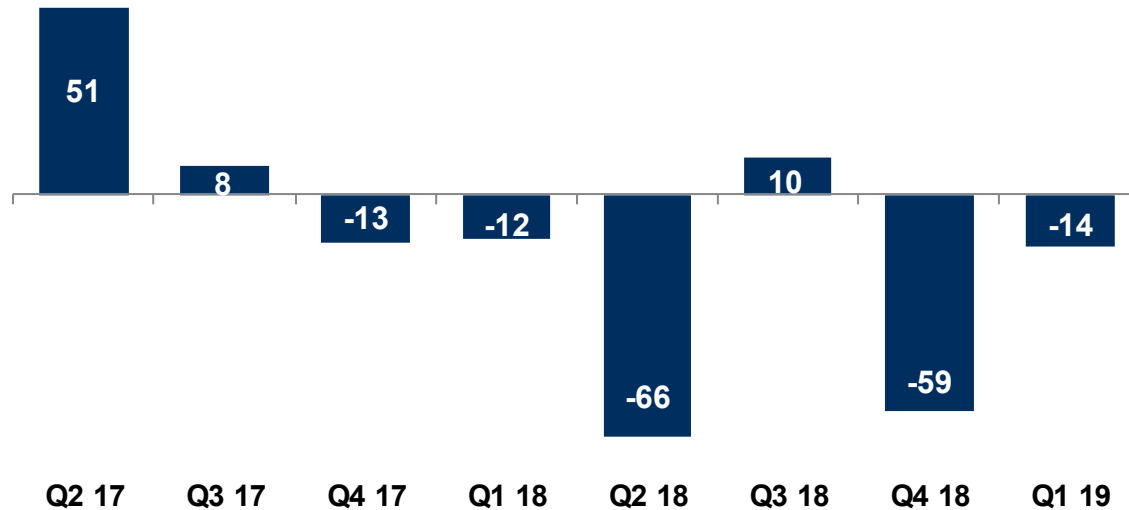
Key points Q1 2019:

- Impairment charges as regards corporate exposures represent DKK 33m
- Provision as regards agriculture is unchanged DKK 100m
- Impairment charges as regards retail exposures represent minus DKK 47m.

DKKm	Q4 17	Q1 18	Q2 18	Q3 18	Q4 18	Q1 19
Agriculture etc	-13	43	126	-5	13	38
Trade	55	84	-61	12	-5	28
Real property	-25	32	-41	-71	-7	-23
Other corporate lending	80	-121	-41	76	-35	-10
Total corporate lending	97	38	-17	12	-34	33
Retail clients	-50	-51	-27	-26	-17	-47
Individual impairments	47	-13	-44	-14	-51	-14
Collective impairments	-60	-	-	-	-	-
Total impairments	-13	-13	-44	-14	-51	-14

Investment portfolio earnings – negative result for Q1 2019

Investment portfolio earnings – DKKm



Investment portfolio earnings

DKKm	Q4 17	Q1 18	Q2 18	Q3 18	Q4 18	Q1 19
Position-taking	2	-4	-54	16	-65	-20
Liquidity generation and reserves	-9	-1	-3	-5	-9	7
Strategic positions	-4	-5	-7	0	17	1
Costs	-2	-2	-2	-1	-2	-2
Total	-13	-12	-66	10	-59	-14

Investment portfolio earnings for Q1 2019 represent minus DKK 14m compared with earnings of minus DKK 12m in Q1 2018.

Investment portfolio earnings for Q1 2019 represent minus DKK 14m compared with earnings of minus DKK 59m in Q4 2018.

The investment portfolio earnings in Q1 2019 are the result of lower risk-free rates and the Group's position-taking in the first half of the quarter.

The Group's position-taking at end-Q1 2019 is comprised so that investment portfolio earnings are virtually neutral in terms of interest rate changes.

Income statement – ROE of 7.3% in Q1 2019

DKKm	Q1 2019	Q1 2018	Index	Q1 2019	Q4 2018	Index
Core income	900	1,053	85	900	948	95
Trading income	96	55	175	96	-2	-
Total income	996	1,108	90	996	946	105
Costs, core earnings	719	703	102	719	686	105
Core earnings before impairment	277	405	68	277	260	107
Impairment of loans and advances etc	-14	-13	-	-14	-51	-
Core earnings	291	418	70	291	311	94
Investment portfolio earnings	-14	-12	-	-14	-59	-
Profit before non-recurring items	277	406	68	277	252	110
Non-recurring items, net	-17	105	-	-17	-25	-
Profit before tax	260	511	51	260	227	115
Tax	55	80	69	55	34	162
Profit for the period	205	431	48	205	193	106
Costs (core earnings) / total income, C/I	0.72	0.63		0.72	0.73	
Return on equity, ROE full-year basis	7.3	14.8		7.3	6.7	
Earnings per share, EPS	3.2	6.5		3.2	3.0	

Key points Q1 19 vs Q1 18:

- Core income down by 15%
- Trading income down by 75%
- Costs (core earnings) up by 2%.
- Reversal of impairment charges
- Core earnings down by 30%
- Negative investment portfolio earnings.

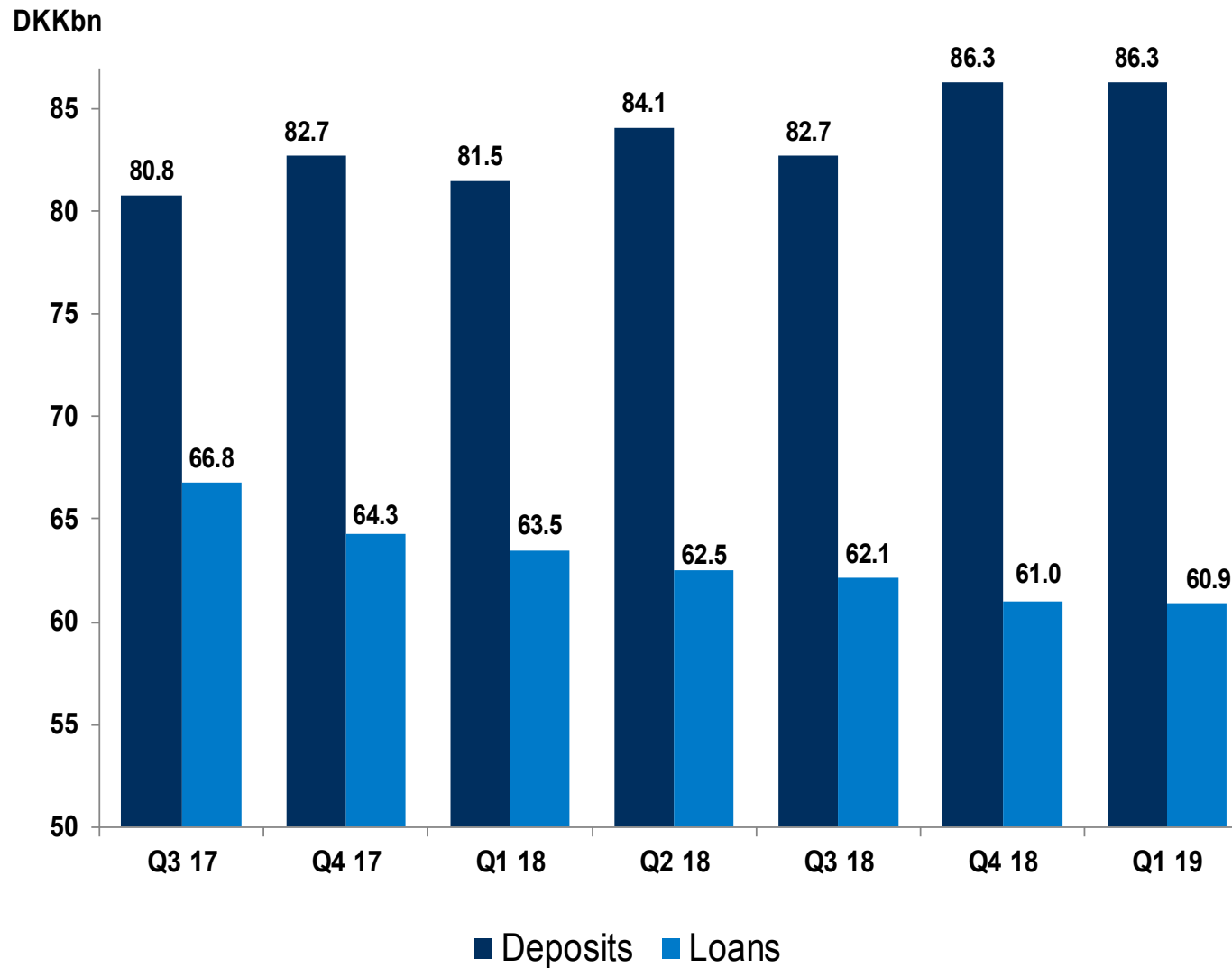
Key points Q1 19 vs Q4 18:

- Core income down by 5%
- Total income up 5%
- Costs (core earnings) up by 5% due to seasonal fluctuations.

Non-recurring items, Q1 19:

- Costs of DKK 17m related to “A stronger bank” projects.

Loans and advances declined by DKK 0.1bn in Q1 2019



Corporate loans – increase in loans to core corporate of DKK 836m in Q1 2019

DKKbn	Q1 2019	2018	2017
Manufacturing and extraction of raw materials	8,604	8,469	8,171
Energy supply etc	2,175	2,168	2,064
Trade	12,649	11,855	11,460
Transportation, hotels and restaurants	3,315	3,185	3,077
Information and communication	467	324	521
Finance and insurance	4,888	5,228	4,926
Other industries	3,101	3,134	3,258
Total core corporate	35,199	34,363	33,477
Agriculture, hunting, forestry and fisheries	3,238	3,301	3,944
Building and construction	2,940	2,857	3,386
Real estate	3,812	4,428	5,335
Total corporate	45,189	44,949	46,142
Change in Q1 2019 - core corporate	836		
Change in Q1 2019 - other corporate	-596		
Change in Q1 2019 - total corporate	240		

Total credit intermediation – increase of DKK 0.3bn in Q1 2019

Total credit intermediation

DKKbn	Q4 2016	Q4 2017	Q4 2018	Q1 2019	Change Q1
Bank loans - retail	29.9	18.0	15.7	15.4	-0.3
Bank loans - corporate	46.7	46.0	45.0	45.2	0.2
Bank loans - public authorities	0.6	0.3	0.3	0.3	0.0
Bank loans - total	77.2	64.3	61.0	60.9	-0.1
Funded mortgage-like loans	-	10.0	9.9	9.6	-0.3
Bank loans and funded loans	77.2	74.3	70.9	70.5	-0.4
Arranged mortgage loans - Totalkredit	58.3	58.0	59.6	60.3	0.7
Arranged mortgage loans - DLR	12.4	11.7	11.7	11.7	0.0
Total	147.9	144.0	142.2	142.5	0.3

- Total credit intermediation increased by DKK 0.3bn in Q1 2019
- Total credit intermediation to retail clients – by way of bank loans and advances, funded mortgage-like loans and arranged mortgage loans – rose by DKK 0.1bn in Q1 2019.
- Total credit intermediation to corporate clients, incl DLR, grew by DKK 0.2bn in Q1 2019.

IFRS 9 – loans and advances by stages

Loans pre provision

DKKm	31.03.19	31.12.18	30.09.18
Stage 1	55,262	55,409	56,528
Stage 2	5,190	5,332	5,686
Stage 3	2,997	2,950	2,656
Total	63,449	63,691	64,870

Loans after provision

DKKm	31.03.19	31.12.18	30.09.18
Stage 1	55,164	55,315	56,431
Stage 2	4,287	4,302	4,500
Stage 3	1,399	1,366	1,131
Total	60,850	60,983	62,062

Stage 3 - credit impaired loans

%	31.03.19	31.12.18	30.09.18
Share of loans pre provision	4.7	4.6	4.1
Share of loans after provision	2.3	2.2	1.8

In its statement dated 14 February 2019 the Danish FSA found that the Bank's method for allocating exposures to stages was inadequate.

The rise in loans and advances in stage 3 in Q4 2018 and in Q1 2019 is a consequence of a change in the method for allocating loans and advances to stages.

Without the change in method loans and advances in stage 3 would have gone down in Q4 2018 and again in Q1 2019.

Capital ratios affected by the announced share buyback of DKK 250m

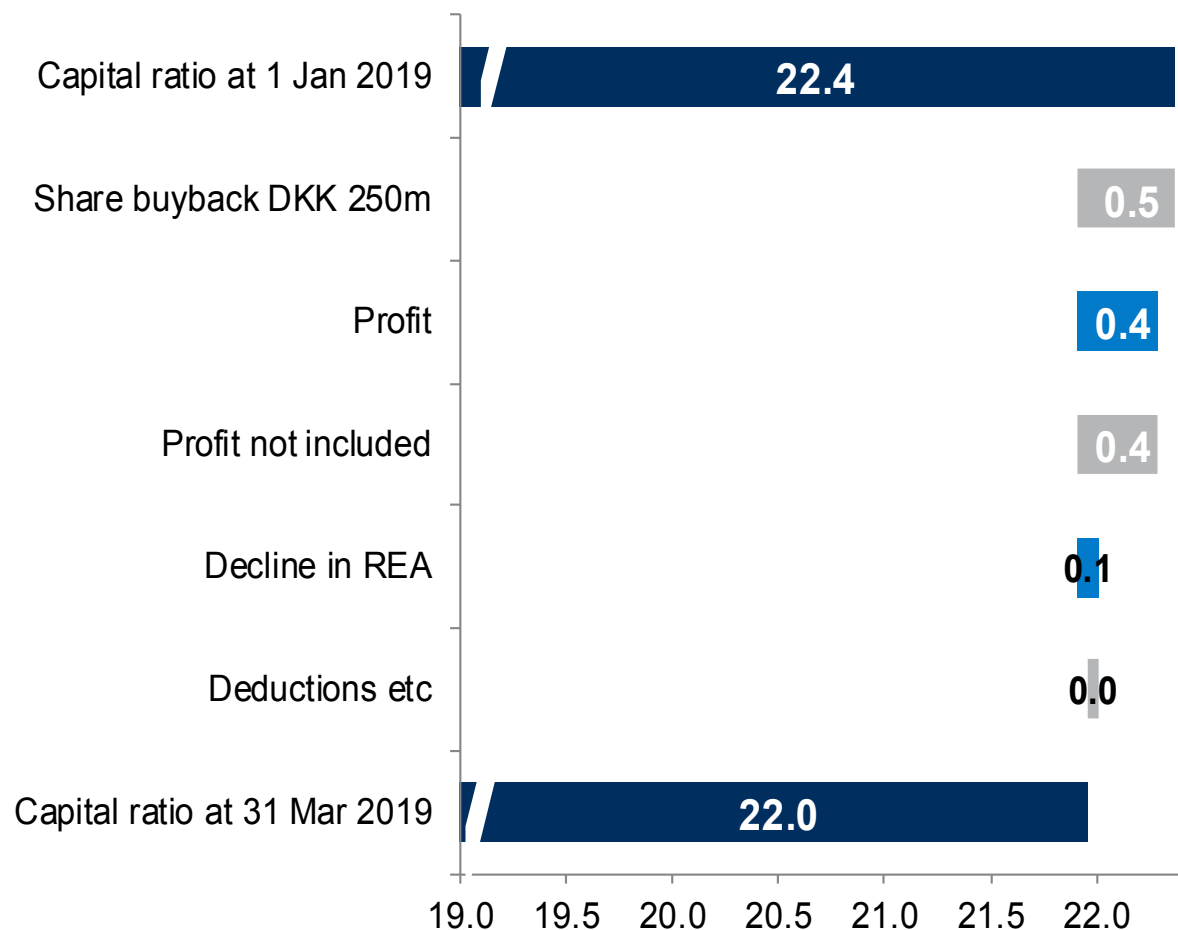
DKKm	Q4 2016	Q4 2017	Q4 2018	Q1 2019 De facto	
Credit risk	41,683	38,933	36,032	36,132	36,132
Market risk	8,075	6,239	6,036	5,718	5,718
Operational risk	8,025	8,023	7,654	7,654	7,654
Other exposures incl CVA	5,824	5,694	5,680	5,670	5,670
Risk exposure amount	63,607	58,889	55,402	55,174	55,174
CET1	10,213	10,167	9,579	9,305	9,408
Tier 1	11,044	10,446	10,550	10,219	10,322
Total capital	12,242	12,240	12,390	12,116	12,219
CET1 ratio	16.1	17.3	17.3	16.9	17.1
Tier 1 ratio	17.4	17.7	19.0	18.5	18.7
Capital ratio	19.2	20.8	22.4	22.0	22.1
Individual solvency need	10.2	11.0	11.4	11.2	11.2

Key points Q1 2019:

- The DKK 0.2bn decline in REA is attributable to a decline in market risk of DKK 0.3bn
- The capital ratio has dropped by 0.4% in Q1 2019
- The announced share buyback of DKK 250m has reduced capital ratios by 0.5%
- 50% of profit for the period is recognised under “de facto”.

DKKm	Q4 2016	Q4 2017	Q4 2018	Q1 2019
Corporate, IRB	30,306	28,131	26,586	26,895
Retail, IRB	9,200	8,271	7,371	7,053
Corporate, STD	605	413	312	309
Retail, STD	648	731	865	858
Credit institutions etc.	924	1,387	898	1,017
Total credit risk	41,683	38,933	36,032	36,132

Capital ratio development in Q1 2019



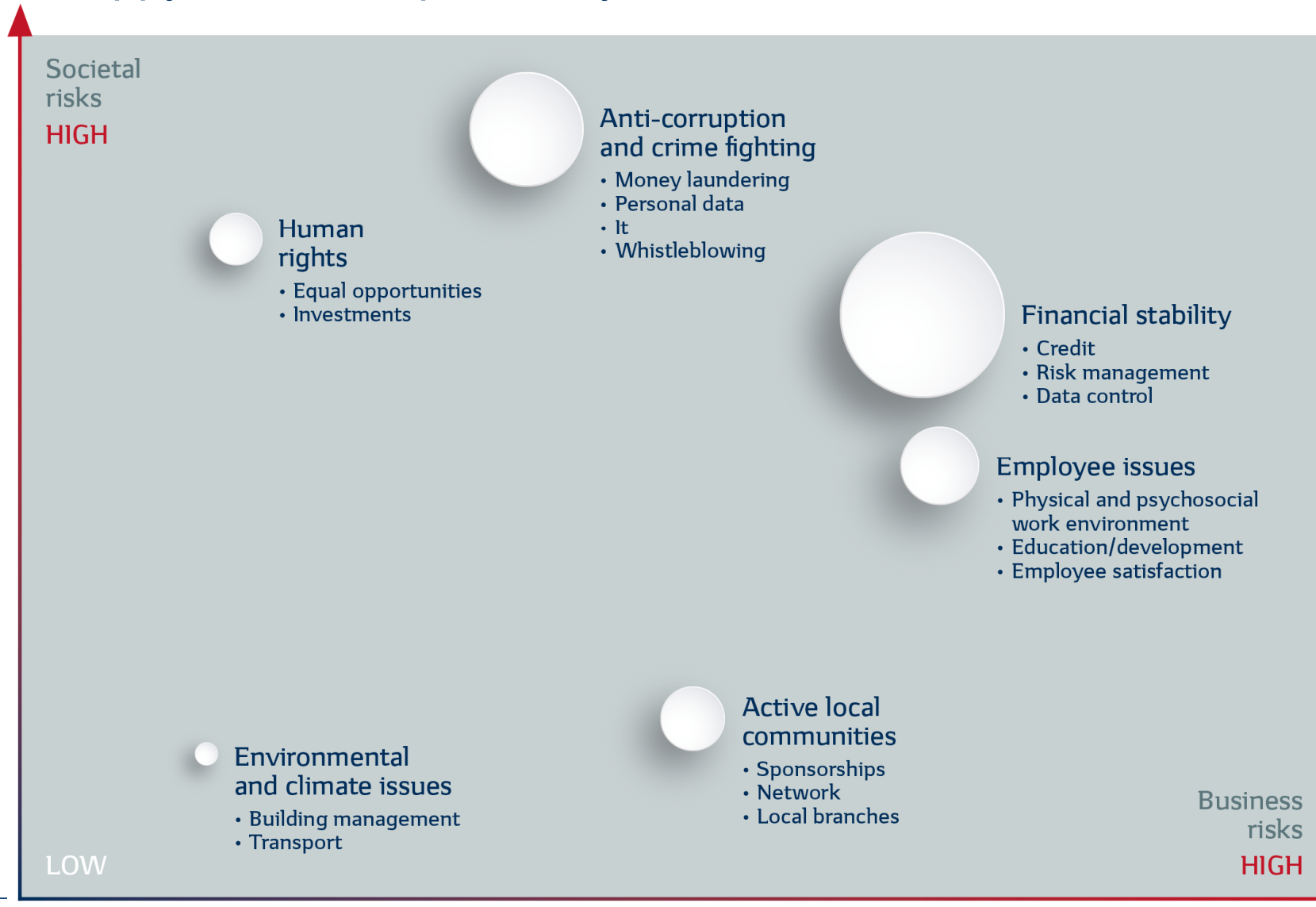
Key points:

- The announced share buyback programme of DKK 250m has reduced the capital ratio by 0.5pp
- The decline in risk exposure is mainly attributable to market risk.

Outlook for 2019

- Total income is expected to be lower than the income generated in 2018.
- Costs (core earnings) are projected to rise slightly in 2019.
- Impairment charges for 2019 are forecast to be at a low level.
- Non-recurring costs are expected to represent around DKK 75m.
- Profit after tax is expected to be in the range of DKK 800-1,100m.
- The outlook is subject to uncertainty and depends among other things on financial market developments and macroeconomic factors.

Corporate social responsibility – making a difference is what matters – we are happy to take responsibility



Questions

Thank you

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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.