
Annual Report 2019

Growth in total credit intermediation and historically high remortgaging activity

26 February 2020

Highlights for 2019

Key points

Growth in total credit intermediation and historically high remortgaging activity

A stronger bank

Additional measures to improve income – limit on retail client deposits – not subject to negative interest – is lowered to DKK 250,000

Profit

Profit of DKK 853m – ROE of 7.5% p.a. after tax

Core income

Core income of DKK 926m in Q4 2019 – at the same level as in Q3 2019

Costs

Costs up by 2% compared with 2018

Impairment charges

Impairment charges represent income of DKK 48m in Q4 2019

Bank loans

DKK 2.9bn growth in total credit intermediation in 2019
Bank loans and advances down by DKK 0.4bn in Q4 2019

CET1 ratio

CET1 ratio of 17.8% – up by 1.6% in Q4 2019

Payout

Dividend 40% and new share buyback of DKK 250m in 2020

Core income – Q4 2019 at the same level as in Q3 2019

DKKm	12M 2019	12M 2018	Index	Q4 2019	Q3 2019	Index
Net interest income etc	1,483	1,775	84	363	366	99
Mortgage credit *	620	583	106	153	167	92
Payment services	180	196	92	39	48	81
Remortgaging and loan fees	174	130	134	52	53	98
Commission and brokerage	319	302	106	89	80	111
Commission etc investment funds and pooled pension plans	326	425	77	78	81	96
Asset management	269	270	100	72	65	111
Custody account fees	70	69	101	18	17	106
Other operating income	214	201	106	62	47	132
Total	3,655	3,951	93	926	924	100
* Set-off of loss Totalkredit	16	21	76	5	3	167

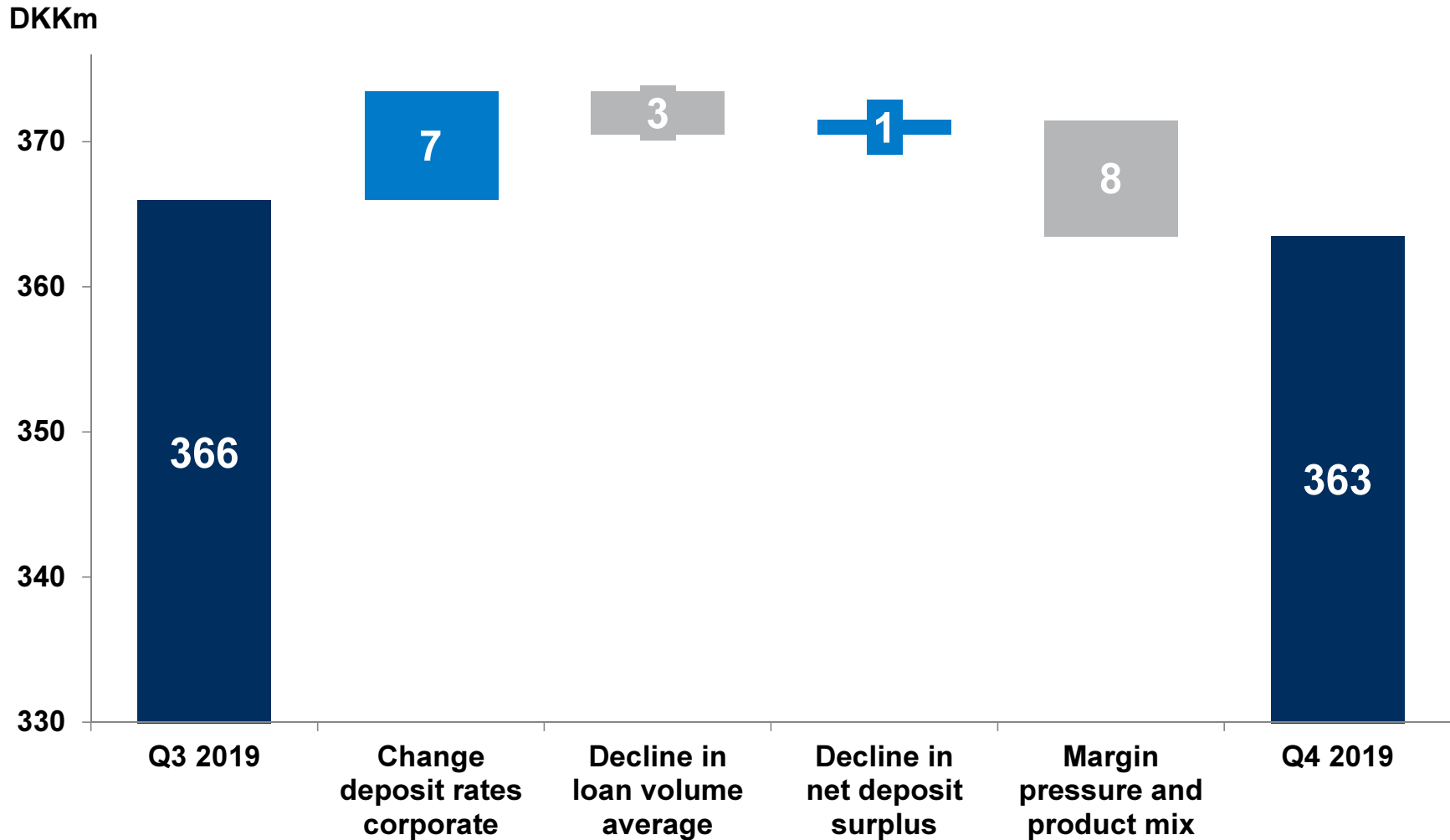
Key points 12M 19 vs 12M 18:

- Net interest income etc down by 16% – 5% due to MREL issues – September 2018 and February 2019
- Commission etc investment funds down by DKK 99m, DKK 41m due to revaluation of BI Holding in 2018
- Remortgaging and loan fees up by 34% due to remortgaging activity
- Other items up by a total of 3%.

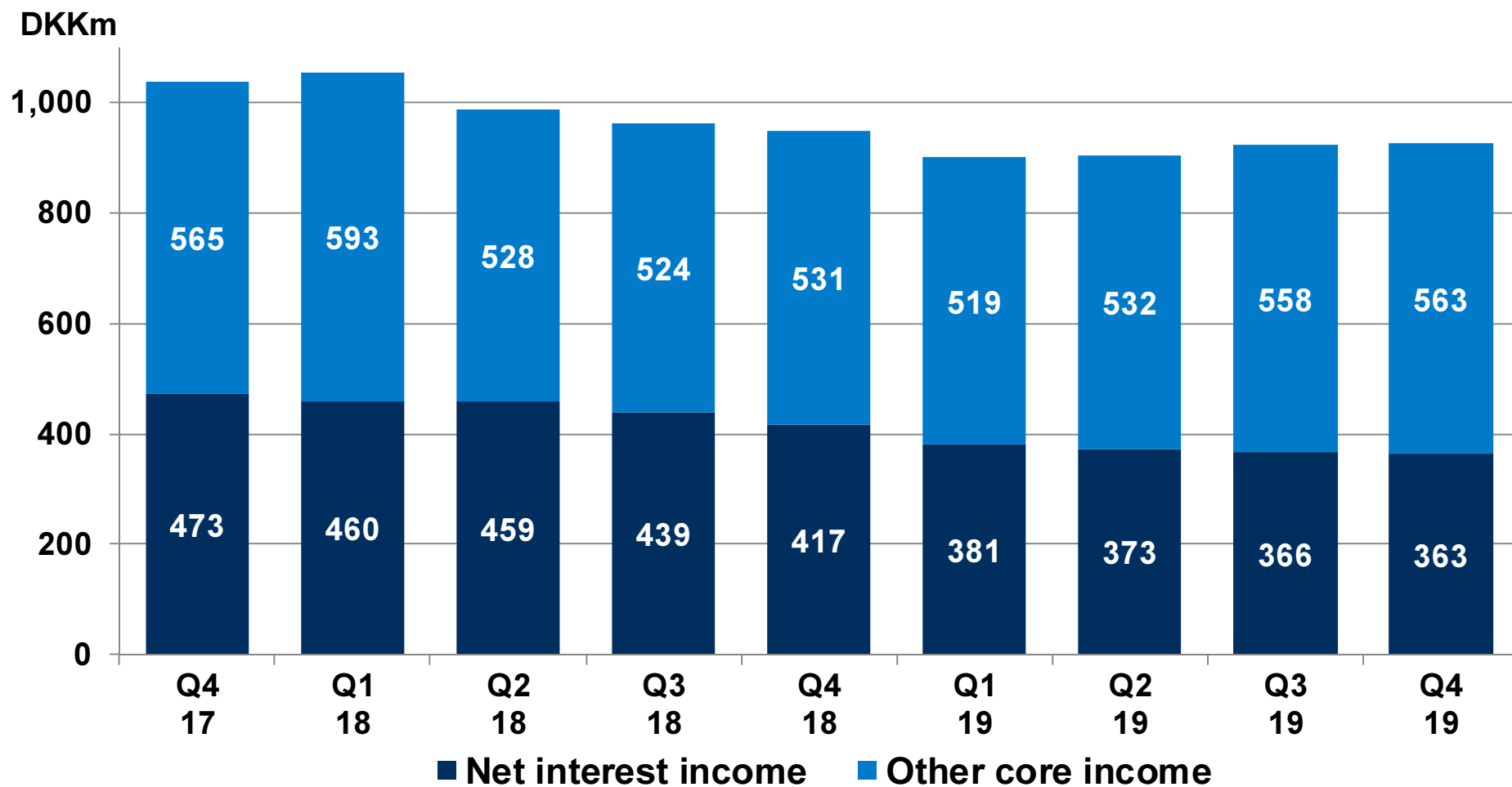
Key points Q4 19 vs Q3 19:

- Net interest income etc down by 1%
- Other items up by a total of 1%.

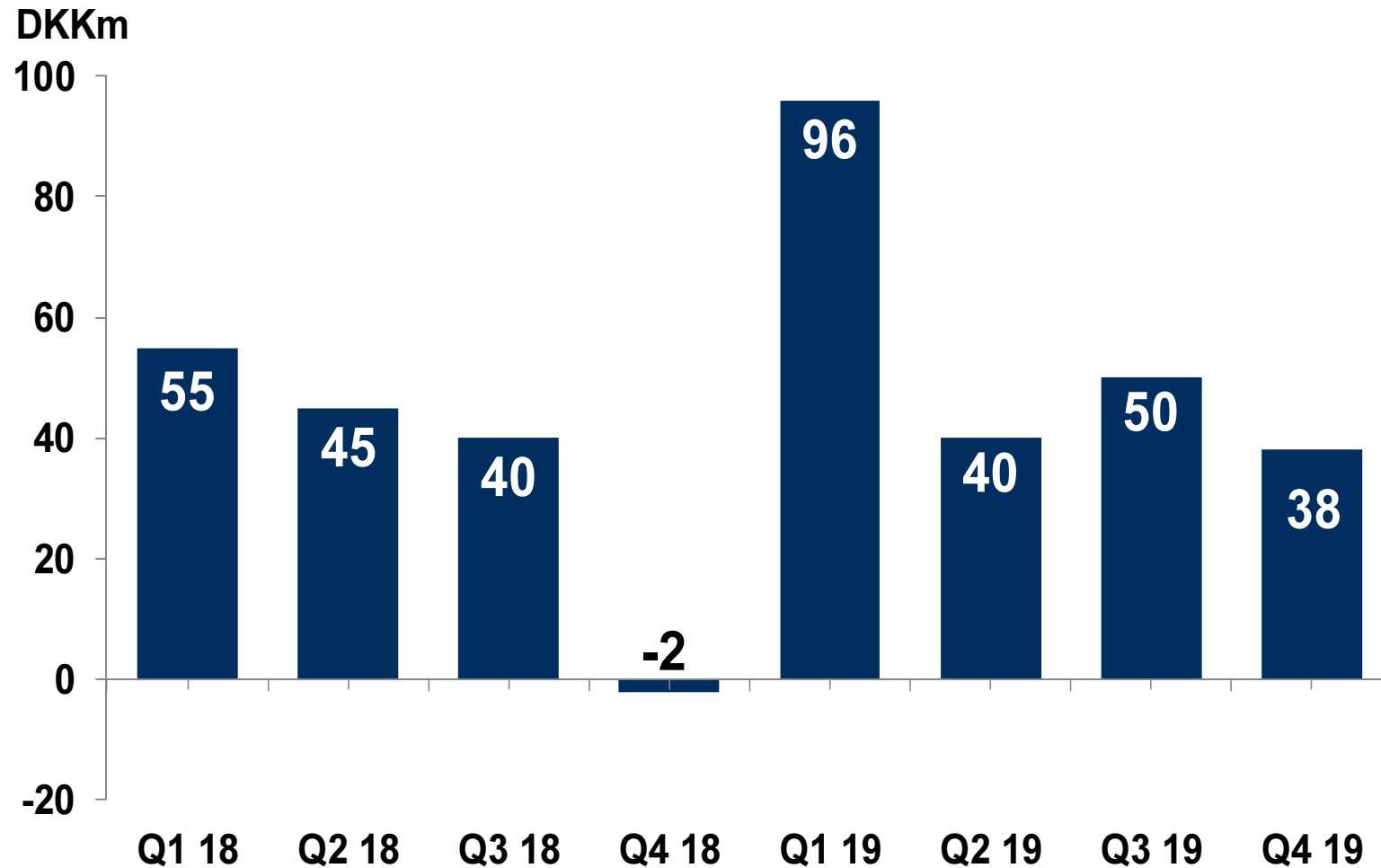
Net interest income etc – development from Q3 2019 to Q4 2019



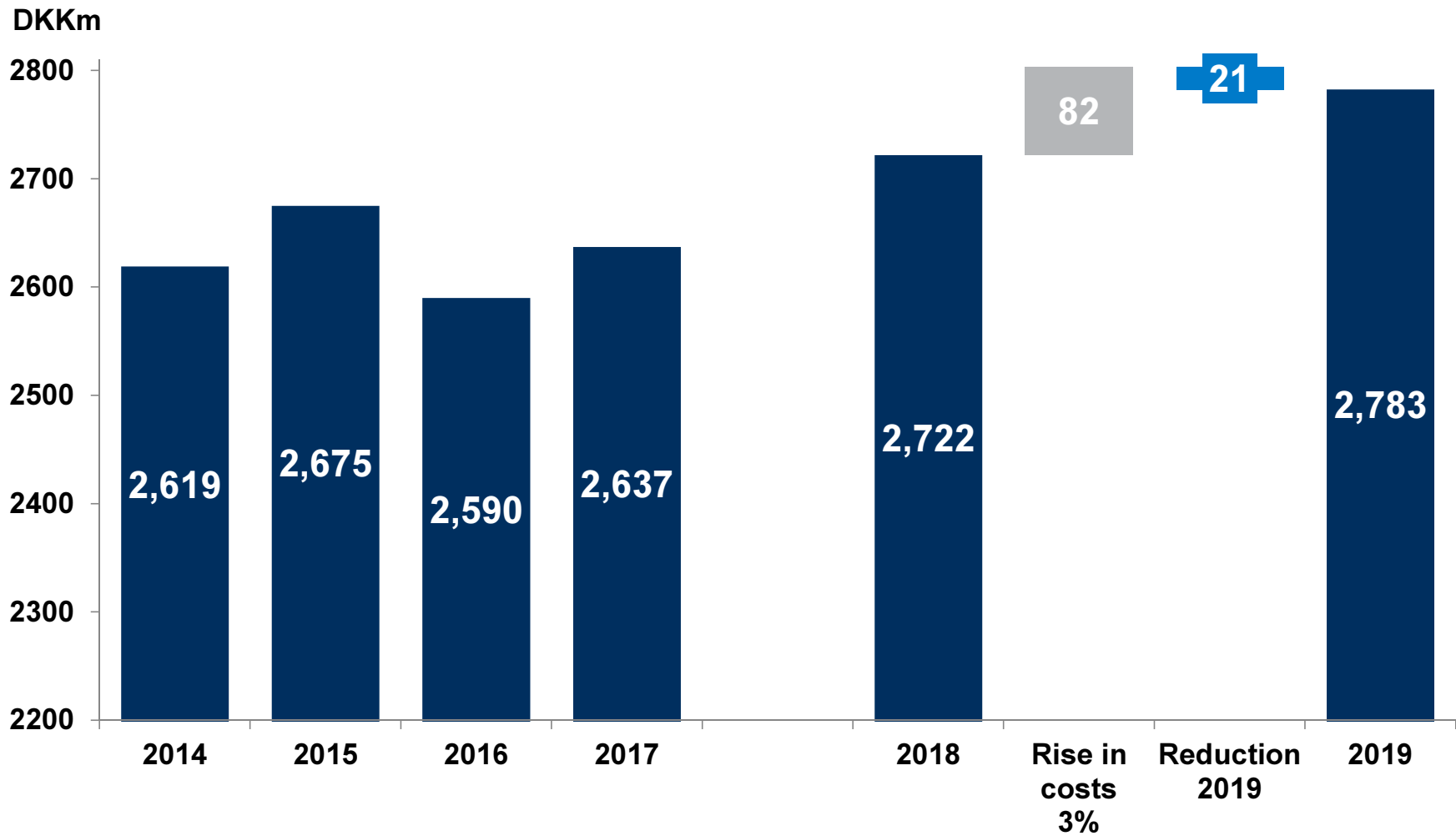
Net interest income continues to represent a declining share of core income



Trading income – slightly weak in Q4 2019 – historically high activity in 2019

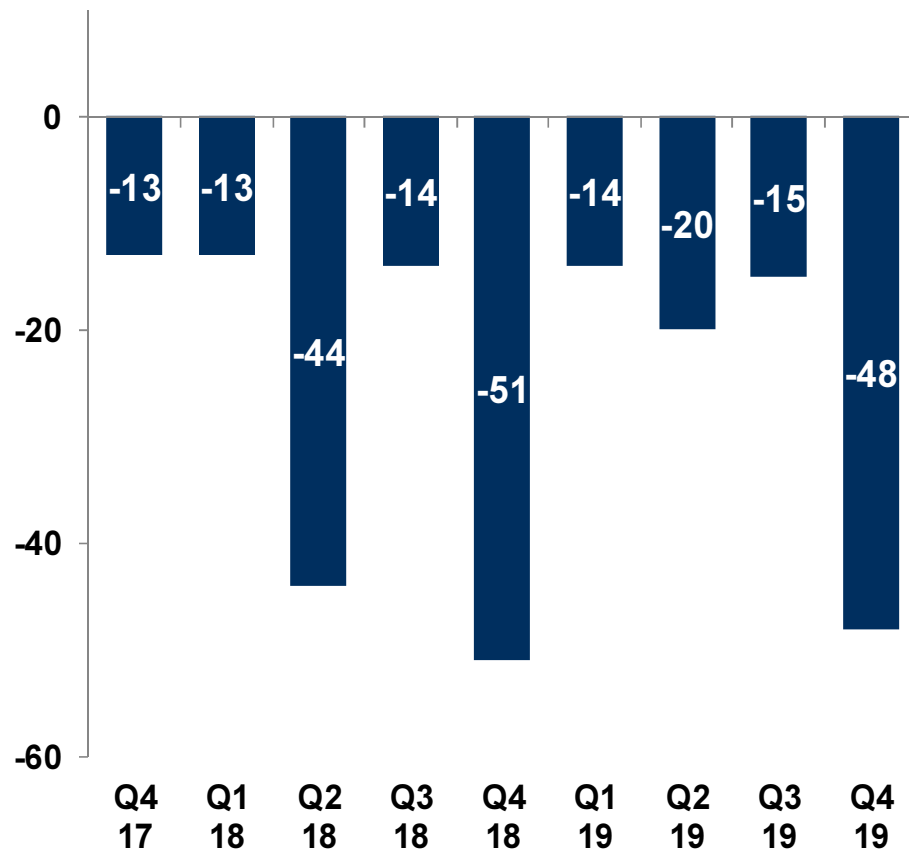


Costs (core earnings) – reduction of DKK 21m in 2019



Impairment charges: minus DKK 48m in Q4 2019 and minus DKK 97m in 12M 2019

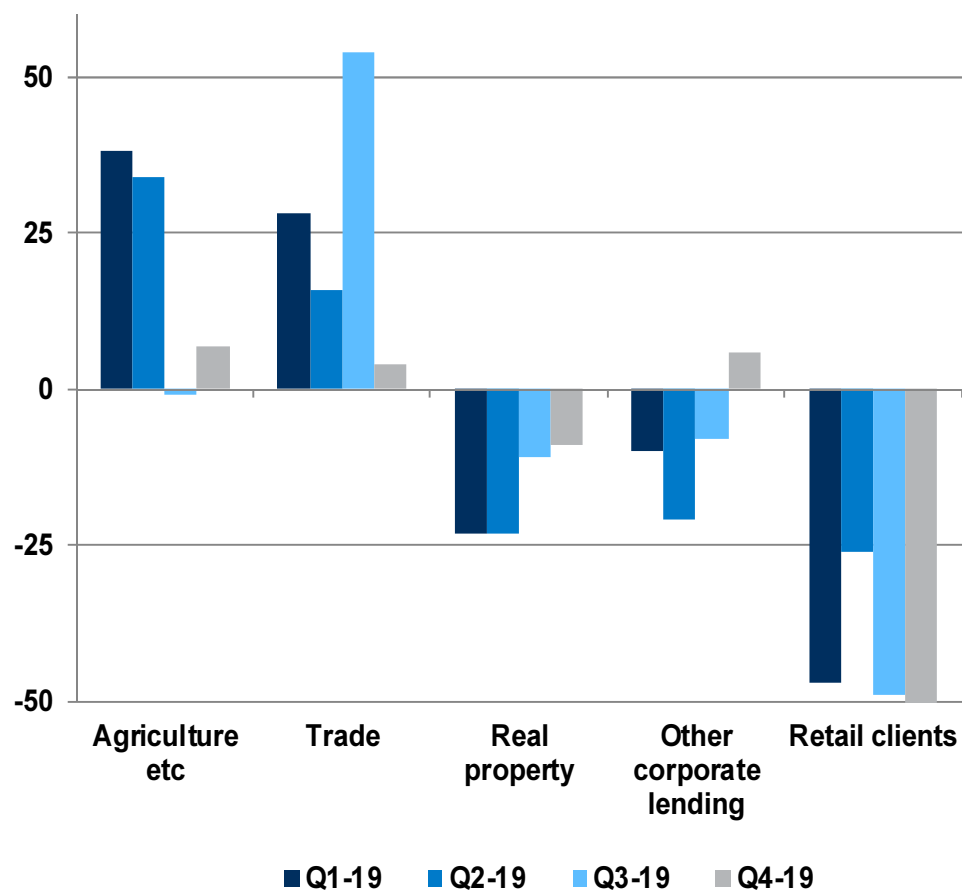
DKKm Impairment charges for bank loans



Reversal
11th consecutive
quarter

Net reversal in Q4 2019

DKKm Impairment charges - quarterly



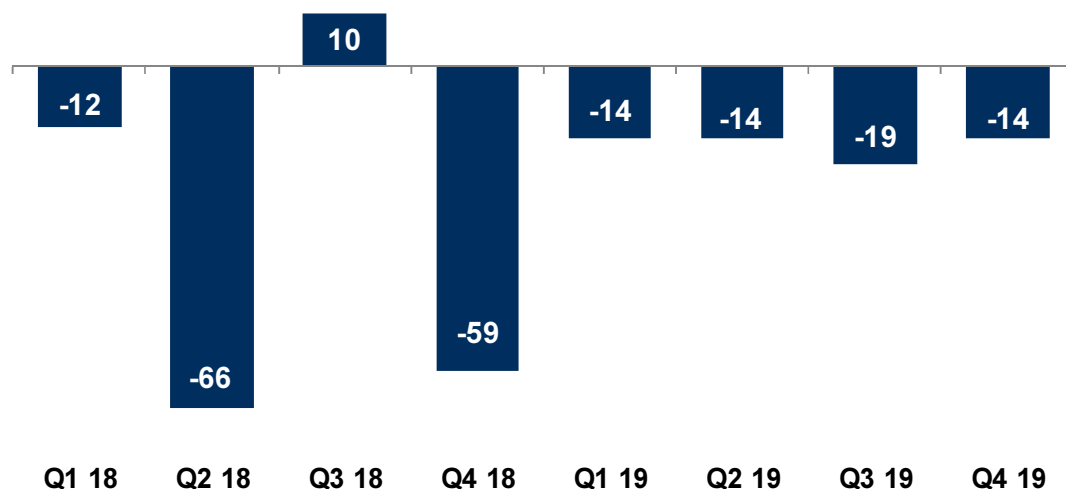
Key points Q4 2019:

- Impairment charges as regards corporate exposures represent DKK 8m
- Provision as regards agriculture is unchanged DKK 100m
- Impairment charges as regards retail exposures represent income of DKK 56m.

DKKm	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19	Q4 19
Agriculture etc	-5	13	38	34	-1	7
Trade	12	-5	28	16	54	4
Real property	-71	-7	-23	-23	-11	-9
Other corporate lending	76	-35	-10	-21	-8	6
Total corporate lending	12	-34	33	6	34	8
Retail clients	-26	-17	-47	-26	-49	-56
Total	-14	-51	-14	-20	-15	-48

Investment portfolio earnings – negative result in all quarters in 2019

Investment portfolio earnings – DKKm



Investment portfolio earnings for 2019 represent minus DKK 61m compared with earnings of minus DKK 127m in 2018.

Investment portfolio earnings for Q4 2019 represent minus DKK 14m, on a par with the levels in previous quarters in 2019.

Investment portfolio earnings in Q4 2019 are the result of the negative risk-free rates.

The portfolio has been composed with the aim of making investment portfolio earnings neutral to interest rate changes.

Investment portfolio earnings

DKKm	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19	Q4 19
Position-taking	16	-65	-20	-8	-3	8
Liquidity generation and reserves	-5	-9	7	-4	-15	-20
Strategic positions	0	17	1	-1	1	0
Costs	-1	-2	-2	-1	-2	-2
Total	10	-59	-14	-14	-19	-14

Income statement – ROE of 7.5% in 2019

DKKm	12M 2019	12M 2018	Index	Q4 2019	Q3 2019	Index
Core income	3,655	3,951	93	926	924	100
Trading income	224	138	162	38	50	76
Total income	3,879	4,089	95	964	974	99
Costs, core earnings	2,783	2,722	102	703	651	108
Core earnings before impairment	1,096	1,367	80	261	323	81
Impairment of loans and advances etc	-97	-122	80	-48	-15	-
Core earnings	1,193	1,489	80	309	338	91
Investment portfolio earnings	-61	-127	-	-14	-19	-
Profit before non-recurring items	1,132	1,362	83	295	319	92
Non-recurring items, net	-51	58	-	-24	12	-
Profit before tax	1,081	1,420	76	271	331	82
Tax	228	259	88	76	62	123
Profit for the period	853	1,161	73	195	269	72
Costs (core earnings) / total income, C/I	0.72	0.67		0.73	0.67	
Return on equity, ROE full-year basis	7.5	10.2		6.8	9.5	
Earnings per share, EPS	13.4	17.6		3.1	4.3	

Key points 12M 19 vs 12M 18:

- Core income down by 7%
- Trading income up by 62%
- Costs (core earnings) up by 2%
- Reversal of impairment charges
- Core earnings down by 20%
- Negative investment portfolio earnings.

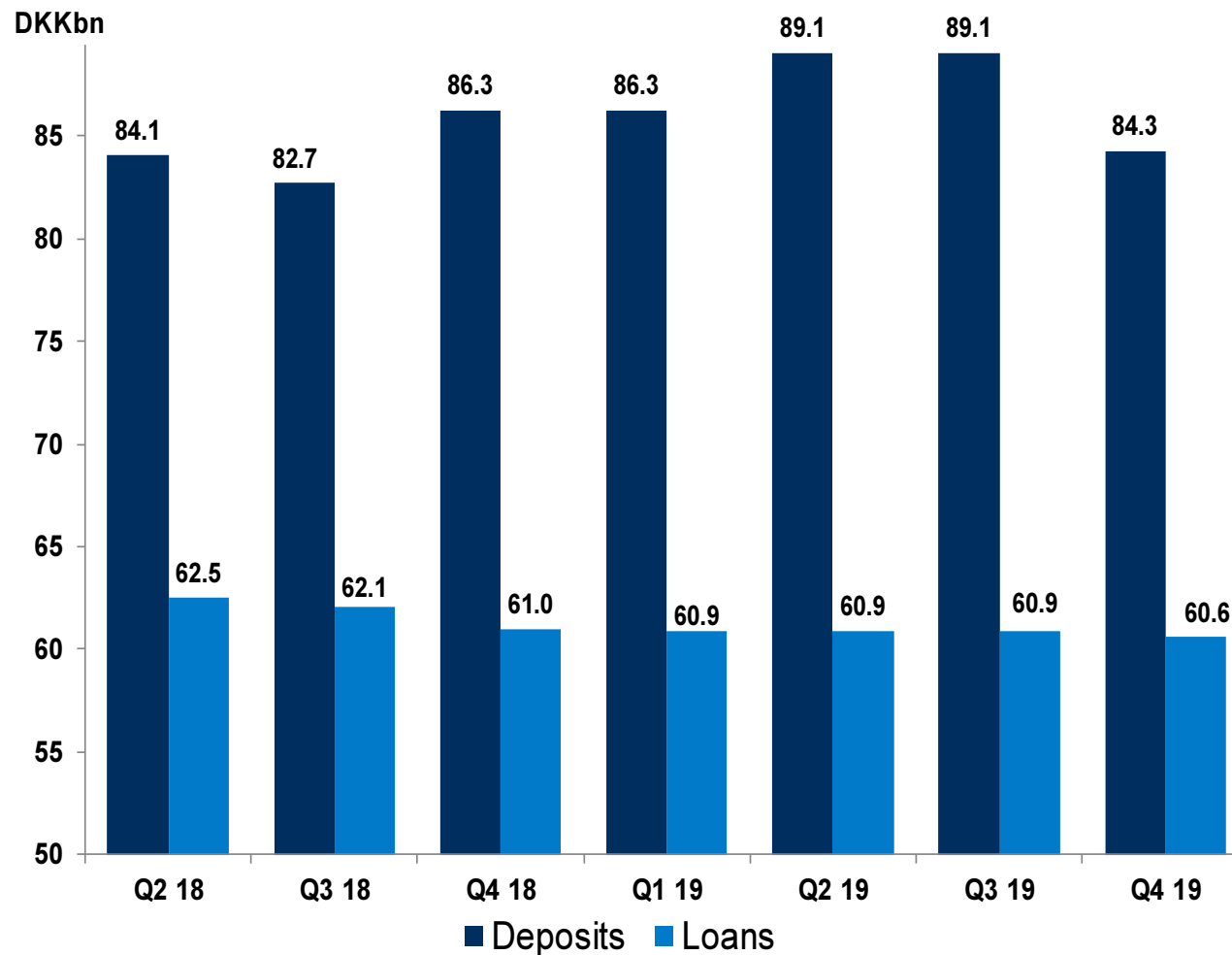
Key points Q4 19 vs Q3 19:

- Core income at the same level
- Total income down by 1%
- Costs (core earnings) up by 8% due to seasonal fluctuations.

Non-recurring items, 12M 19:

- Costs of DKK 73m related to “A stronger bank” projects
- Costs of DKK 8m concerning previous years
- Profit on the sale of shares in Sparinvest of DKK 30m.

Loans and advances declined by DKK 0.3bn and deposits declined by 4.8bn in Q4 2019



Corporate loans – unchanged in Q4 2019

DKKbn	Q4 19	Q3 19	Q2 19	Q4 18
Manufacturing and extraction of raw materials	9,426	9,443	8,903	8,469
Energy supply etc	2,309	1,903	1,677	2,168
Building and construction	3,021	3,112	3,270	2,857
Trade	12,387	12,808	12,279	11,855
Transportation, hotels and restaurants	3,069	3,223	3,263	3,185
Information and communication	418	397	427	324
Finance and insurance	5,410	5,111	5,505	5,228
Other industries	3,360	3,493	3,203	3,134
Total core corporate	39,400	39,490	38,527	37,220
Agriculture, hunting, forestry and fisheries	2,849	3,294	3,267	3,301
Real estate	4,542	3,961	3,903	4,428
Total corporate	46,791	46,745	45,697	44,949
Change in Q4 2019 - core corporate	-90			
Change in Q4 2019 - other corporate	45			
Change in Q4 2019 - total corporate	46			

Total credit intermediation – overall increase of DKK 0.8bn in Q4 2019

Total credit intermediation

DKKbn	Q4 2017	Q4 2018	Q3 2019	Q4 2019	Change Q3
Bank loans - retail	18.0	15.7	13.8	13.5	-0.3
Bank loans - corporate	46.0	45.0	46.7	46.8	0.0
Bank loans - public authorities	0.3	0.3	0.3	0.3	0.0
Bank loans - total	64.3	61.0	60.9	60.6	-0.3
Funded mortgage-like loans	10.0	9.9	8.9	8.3	-0.6
Bank loans and funded loans	74.3	70.9	69.8	68.9	-0.9
Arranged mortgage loans - Totalkredit	58.0	59.6	63.0	64.7	1.7
Arranged mortgage loans - DLR	11.7	11.7	11.5	11.5	0.0
Total	144.0	142.2	144.3	145.1	0.8

- Total credit intermediation grew by DKK 0.8bn in Q4 2019 – equal to an increase of 0.6%
- Total credit intermediation to retail clients – by way of bank loans and advances, funded mortgage-like loans and arranged mortgage loans – grew by DKK 0.8bn in Q4 2019.
- Total credit intermediation to corporate clients, incl DLR, unchanged in Q4 2019.
- Total credit intermediation grew by DKK 2.9bn in 2019 – equal to an increase of 2.0%.

Capital ratios affected by a decline in risk exposure

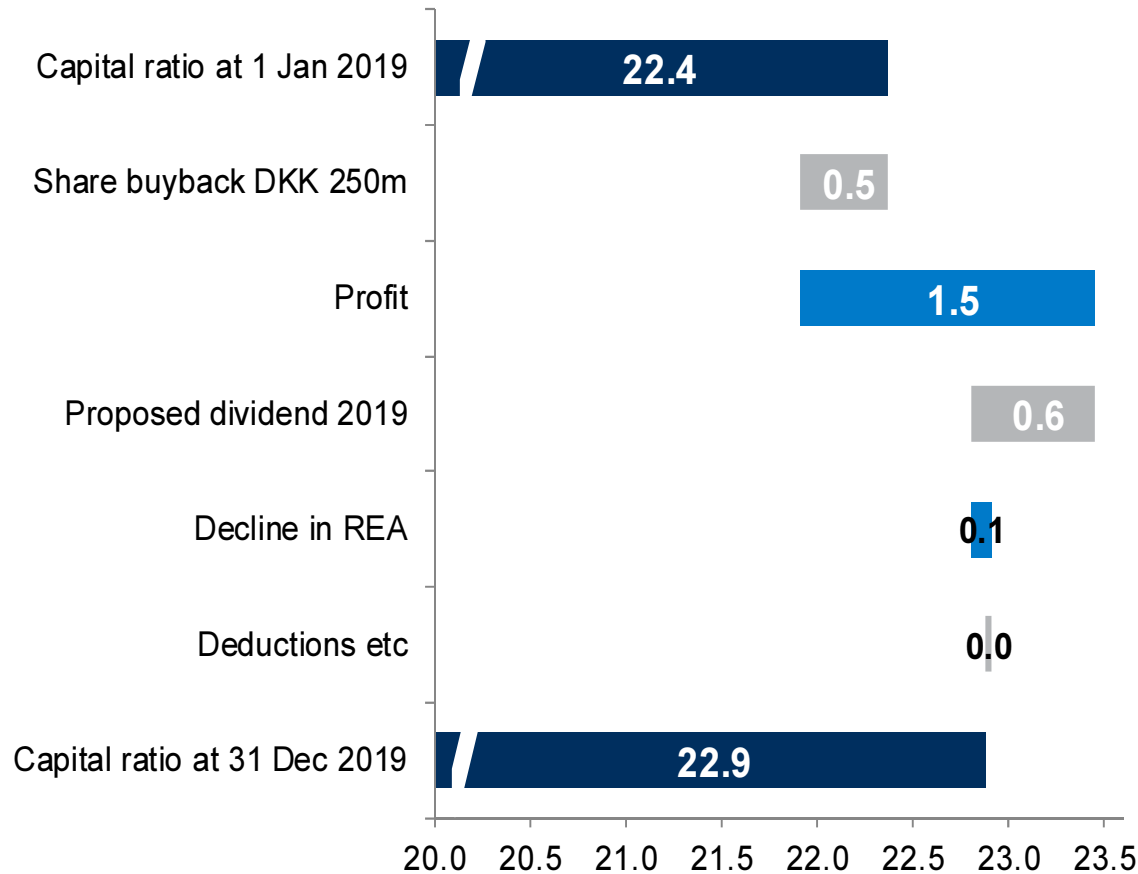
DKKm	Q4 2017	Q4 2018	Q3 2019	Q4 2019 De facto	
Credit risk	38,933	36,032	36,925	35,747	35,747
Market risk	6,239	6,036	6,988	6,177	6,177
Operational risk	8,023	7,654	7,654	7,171	7,171
Other exposures incl CVA	5,694	5,680	5,473	6,065	6,065
Risk exposure amount	58,889	55,402	57,040	55,160	55,160
CET1	10,167	9,579	9,264	9,807	9,557
Tier 1	10,446	10,550	10,179	10,722	10,472
Total capital	12,240	12,390	12,083	12,620	12,370
CET1 ratio	17.3	17.3	16.2	17.8	17.3
Tier 1 ratio	17.7	19.0	17.8	19.4	19.0
Capital ratio	20.8	22.4	21.2	22.9	22.4
Individual solvency need	11.0	11.4	10.7	10.8	10.8

Key points Q4 2019:

- The DKK 1.9bn decline in REA is primarily attributable to a decline in credit risk of DKK 1.2bn and a decline in market risk of DKK 0.8bn
- The capital ratio rose by 1.7% in Q4 2019 due to the decline in REA and recognition of profit for the year in capital
- “De facto” is net of the announced share buyback programme of DKK 250m in 2020.

DKKm	Q4 2017	Q4 2018	Q3 2019	Q4 2019
Corporate, IRB	28,131	26,586	27,790	26,353
Retail, IRB	8,271	7,371	7,264	7,425
Corporate, STD	413	312	259	262
Retail, STD	731	865	894	903
Credit institutions etc.	1,387	898	718	804
Total credit risk	38,933	36,032	36,925	35,747

Capital ratio development in 2019 – ratios up by 0.5pp



Key points:

- The overall implemented share buyback programme of DKK 250m has reduced the capital ratio by 0.5pp
- The decline in risk exposure is primarily attributable to credit risk.

Outlook for 2020

- Limited growth is projected for the Danish economy.
- As a consequence of the income measures implemented, total income is expected to exceed the income generated in 2019.
- Despite underlying cost inflation, costs (core earnings) are projected to be at the same level as in 2019.
- Impairment charges for 2020 are forecast to be at a low level.
- With the aim of enhancing efficiency and automating processes investments of around DKK 75m will be made. This investment is recognised under non-recurring items.
- Profit after tax is expected to be in the range of DKK 700-1,000m.

Questions

Thank you

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