
Interim Report – Q1 2016

Continued tight rein on costs and credit quality – satisfactory start to 2016

27 April 2016

Highlights for Q1 2016

Key points

Continued tight rein on costs and credit quality – satisfactory start to 2016

Profit

Profit of DKK 283m – ROE of 10.1% p.a. after tax

Core income

Core income of DKK 1,050m – reduced by 6% compared with Q1 2015

Income

Income of DKK 1,104m – reduced by 10% compared with Q1 2015

Costs

Reduced costs despite of the acquisition of Sydinvest Administration

Impairment charges

Impairment charges of DKK 38m – reduced by 67% compared with Q1 2015

Bank loans

DKK 1.9bn rise in bank loans and advances, equal to 2.6% in Q1 2016

Capital

CET1 ratio of 14.6% – down by 0.1 percentage points compared with Q4 2015

Share buyback

At end-Q1 purchases of DKK 45m of current buyback totalling DKK 350m

Core income at stable level

DKKm	Q1 2016	Q1 2015	Index	Q1 2016	Q4 2015	Index
Net interest income etc	588	595	99	588	592	99
Mortgage credit*	88	96	92	88	86	102
Payment services	46	53	87	46	54	85
Remortgaging and loan fees	26	52	50	26	29	90
Commission and brokerage	95	132	72	95	87	109
Commission etc investment funds and pooled pension plans	95	87	109	95	81	117
Asset management	45	47	96	45	48	94
Custody fees	18	19	95	18	18	100
Other income	49	34	144	49	45	109
Total	1,050	1,115	94	1,050	1,040	101
* Set-off of loss Totalcredit	4	8	50	4	8	50

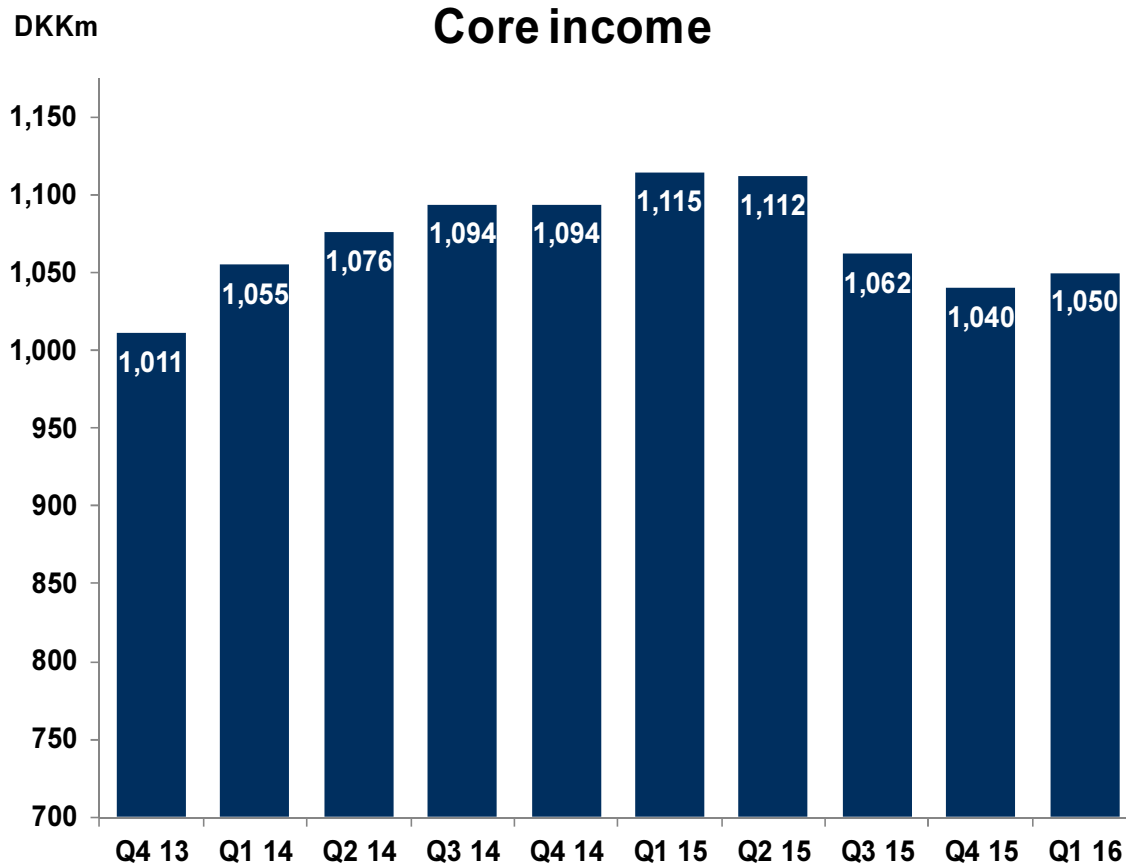
Key points Q1 16 vs Q1 15:

- Net interest income down by 1%
- Remortgaging and loan fees down by 50%
- Commission and brokerage down by 16%
- Other items, overall up by 1%

Key points Q1 16 vs Q4 15:

- Net interest income down by 1%
- Commission and brokerage up by 9%
- Commission investment funds etc. up 17%
- Other items, overall down by 3%

Core income stable at current level



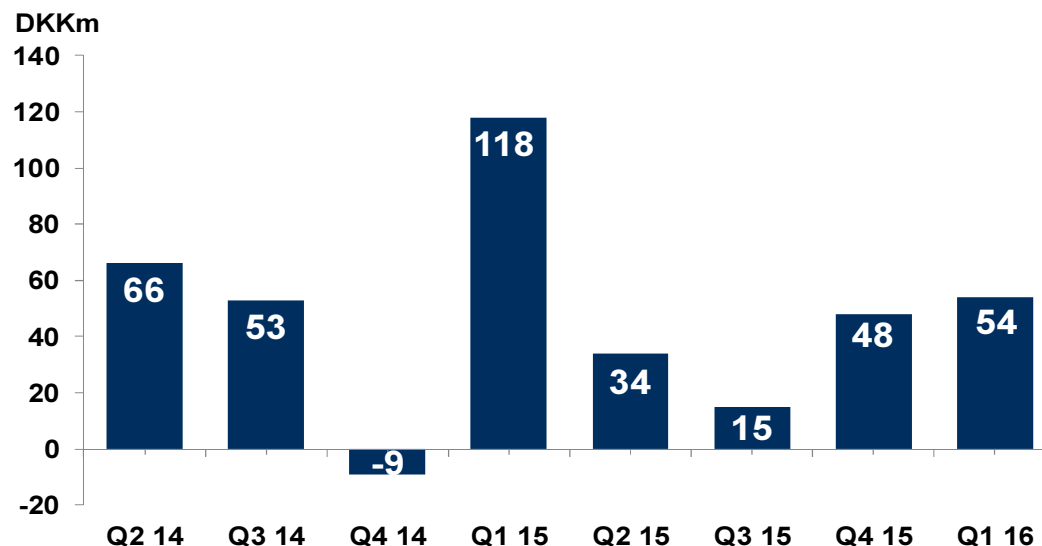
The core income level decreased as a result of the negative interest rate environment which was a consequence of the pressure on DKK in early 2015.

Remortgaging activity in Q1 and Q2 caused short-lived improvement in core income.

Trading income – satisfactory in Q1 2016

Key points:

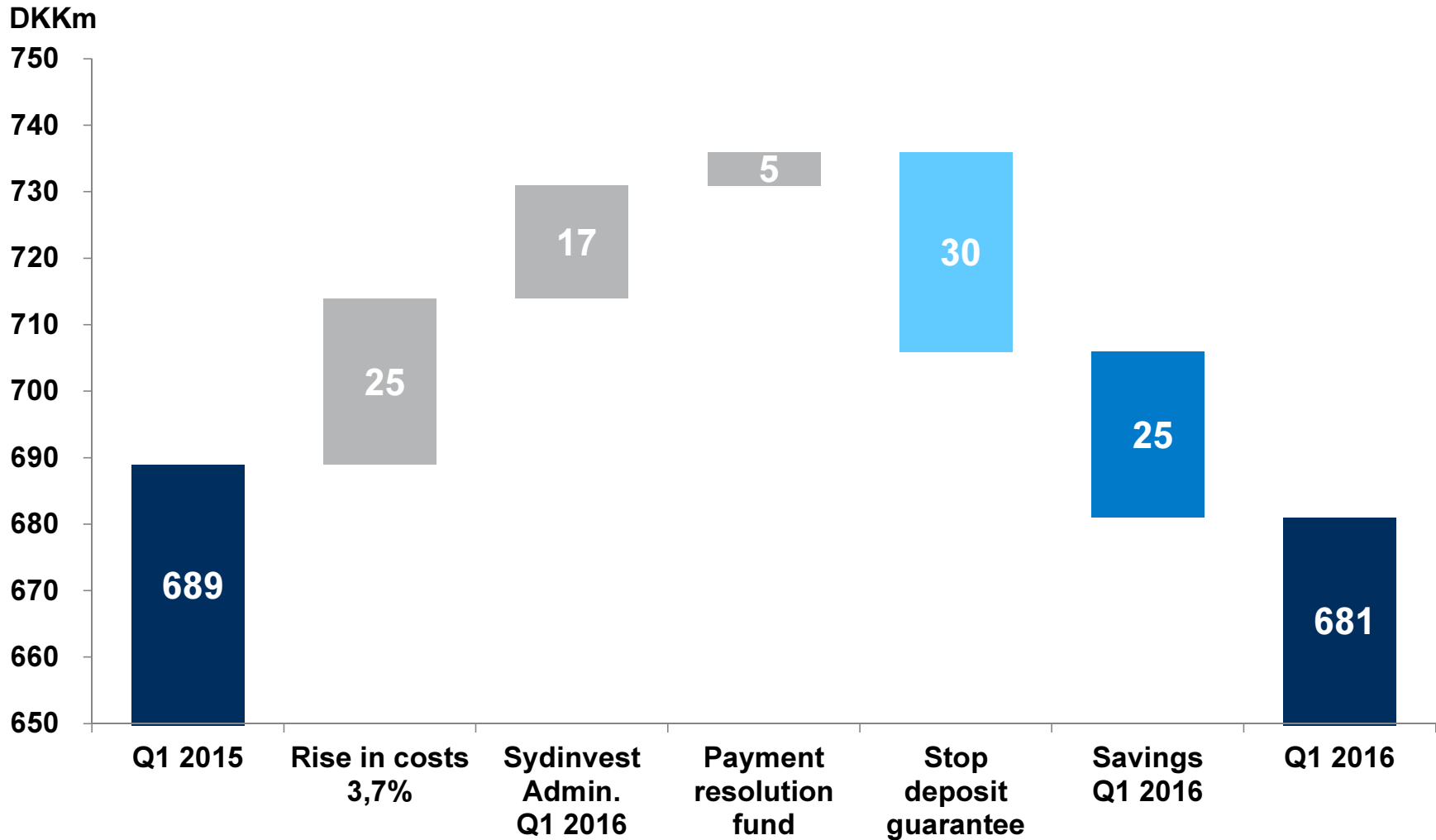
- DKK 54m recorded in Q1 2016 vs DKK 118m in Q1 2015
- Activity at a normal level in Q1 2016.



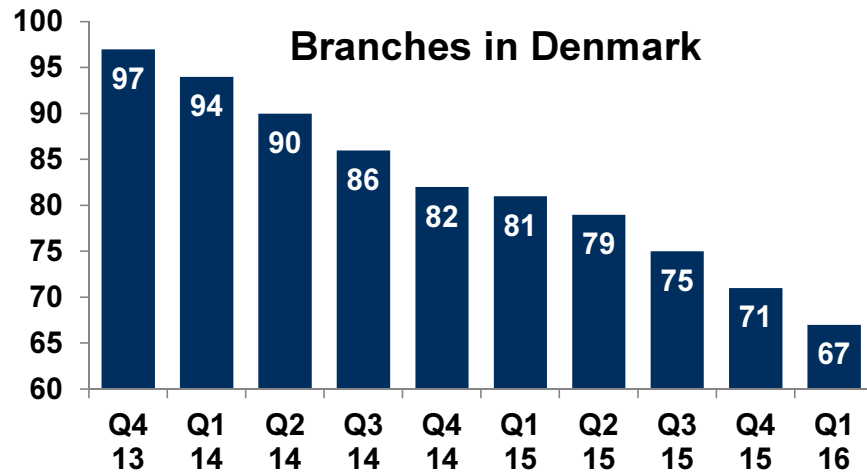
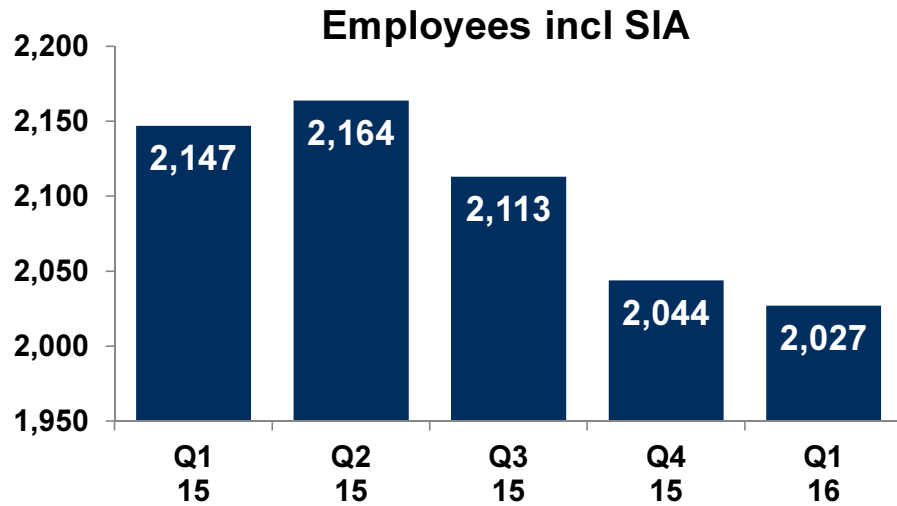
Trading income

DKKm	Q2 14	Q3 14	Q4 14	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16
Fixed Income	32	19	-29	64	1	-4	13	26
Equities	26	17	9	32	18	8	25	20
Money Market and Foreign Exchange	8	17	11	22	15	11	10	8
Total	66	53	-9	118	34	15	48	54

Costs (core earnings) – recorded savings of DKK 25m vs Q1 2015



Reduction in costs (core earnings) – processes are being optimised



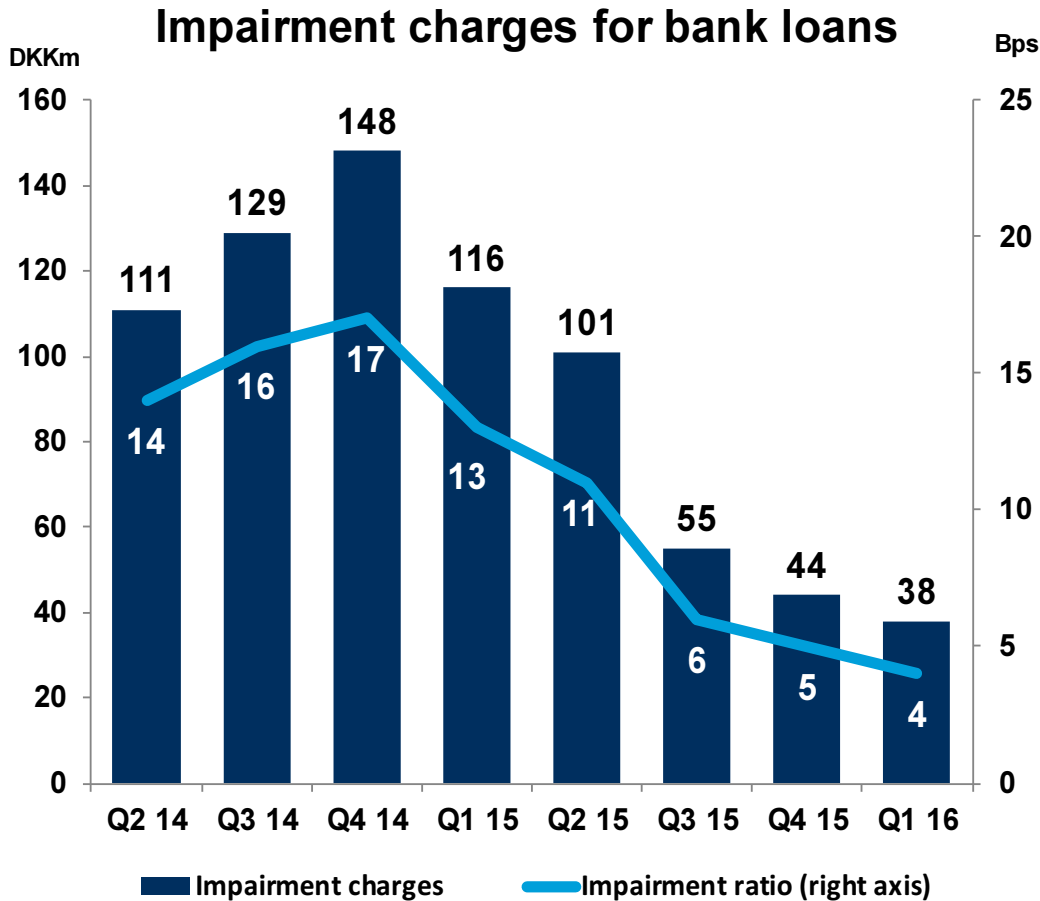
Initiatives in 2016:

- Staff reduced by 17 from 2,044 to 2,027
- Branches in Denmark reduced by 4 from 71 to 67.

Blue growth 2016-2018 – implemented projects:

- Optimisation of housing loan processes
- Integration of credit processes into existing CRM solution
- Clients and employees alike will experience considerable improvements as a result of both projects. Clients in the form of shorter response times and case processing times. Employees in the form of smoother procedures and qualitative improvements.
- The projects will lead to savings in 2017 and onwards.

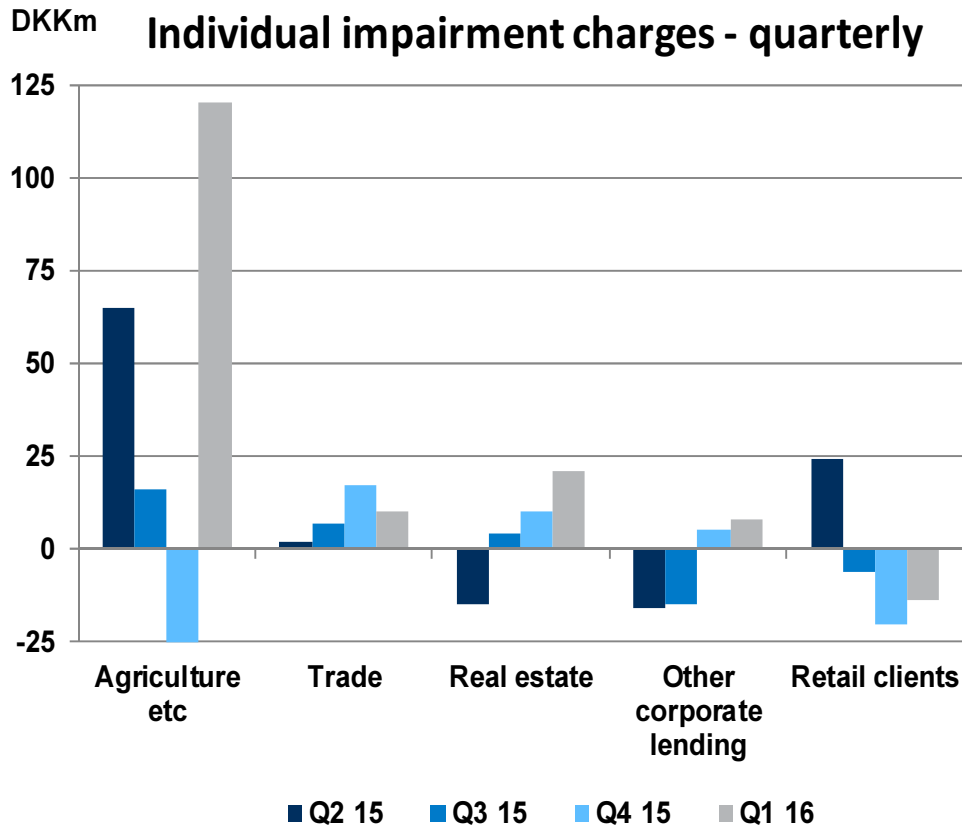
Impairment charges in Q1 2016 represent DKK 38m – equal to 4bps



Impairment charges represent:

- 4bps in Q1 16, down from 13bps in Q1 15
- 4bps in Q1 16, down from 5bps in Q4 15
- 4bps is the lowest level since Q3 2008.

Impairment charges in Q4 2015 – agricultural sector continues to set the agenda



Key points Q1 2016:

- Individual impairment charges for agricultural exposures represent DKK 120m
- Net use of collective impairment charges constitutes DKK 75m
- Impairment charges for agricultural exposures total DKK 45m in Q1 2016

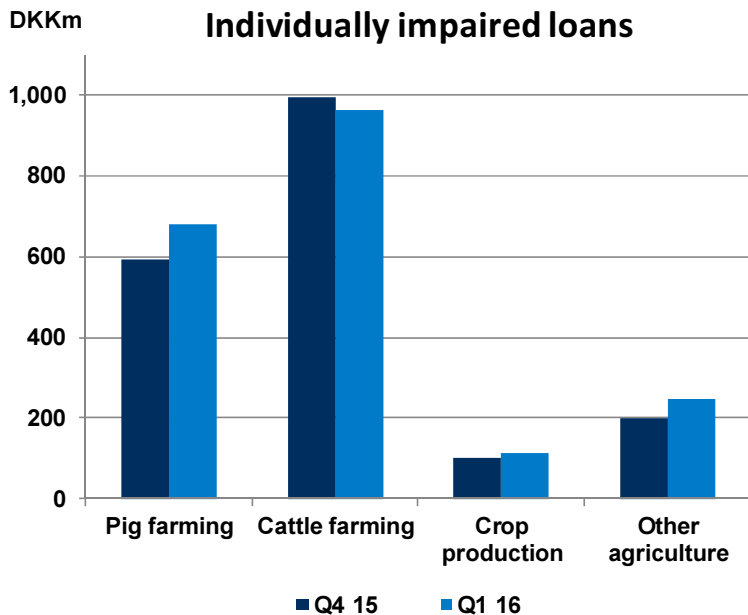
Quarterly impairment charges

DKKm	Q3 14	Q4 14	Q1 15	Q2 15	Q3 15	Q4 15
Agriculture etc	10	60	65	16	-25	120
Trade	-6	-12	2	7	17	10
Real property	-44	11	-15	4	10	21
Other corporate lending	53	2	-16	-15	5	8
Total corporate lending	13	61	36	12	7	159
Retail clients	26	8	24	-6	-20	-14
Individual impairments	39	69	60	6	-13	145
Collective impairments	109	47	41	49	57	-107
Total impairments	148	116	101	55	44	38

Agriculture – impairment charges 21.0% at the end of Q1 2016

Key points:

- Loans in Q1 2016 at same level as at end-2015
- Impaired bank loans have increased by DKK 111m, equal to 1.9 percentage points of bank loans
- 21.0% impairment charges of bank loans at the end of Q1 2016 vs 21.2% at the end of Q4 2015 and 17.5% at year-end 2014.



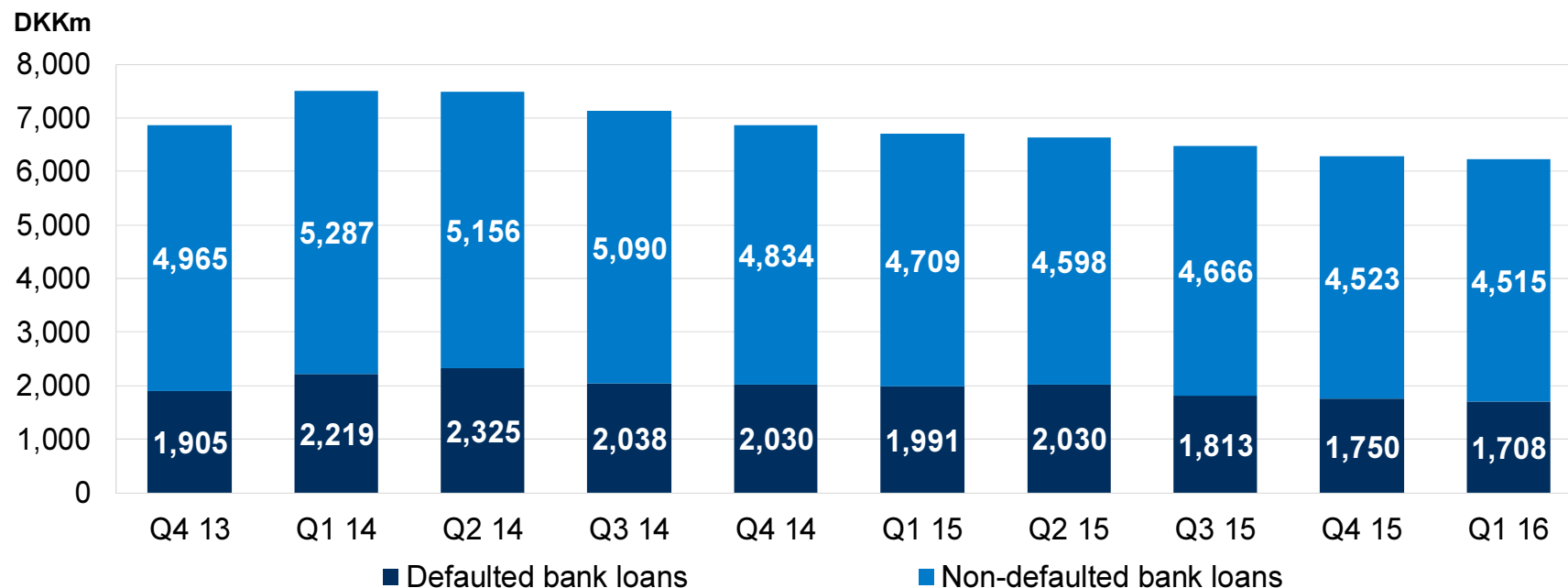
31 March 2016

DKKm	Pig farming	Cattle farming	Crop production	Other agriculture	Total
Bank loans	1,766	1,648	1,259	1,161	5,834
Individual impairment charges	329	578	53	115	1,075
Collective impairment charges	60	90			150
Loans after impairment charges	1,377	980	1,206	1,046	4,609
Impaired bank loans	582	897	100	188	1,767
Impaired as % of bank loans	33.0	54.4	7.9	16.2	30.3
Impairment as % impaired loans	56.5	64.4	53.0	61.2	60.8
Impairment as % bank loans	22.0	40.5	4.2	9.9	21.0

31 December 2015

DKKm	Pig farming	Cattle farming	Crop production	Other agriculture	Total
Bank loans	1,702	1,712	1,270	1,228	5,912
Individual impairment charges	281	599	50	97	1,027
Collective impairment charges	100	125			225
Loans after impairment charges	1,321	988	1,220	1,131	4,660
Impaired bank loans	582	897	100	188	1,767
Impaired as % of bank loans	34.2	52.4	7.9	15.3	29.9
Impairment as % impaired loans	48.3	66.8	50.0	51.6	58.1
Impairment as % bank loans	22.4	42.3	3.9	7.9	21.2

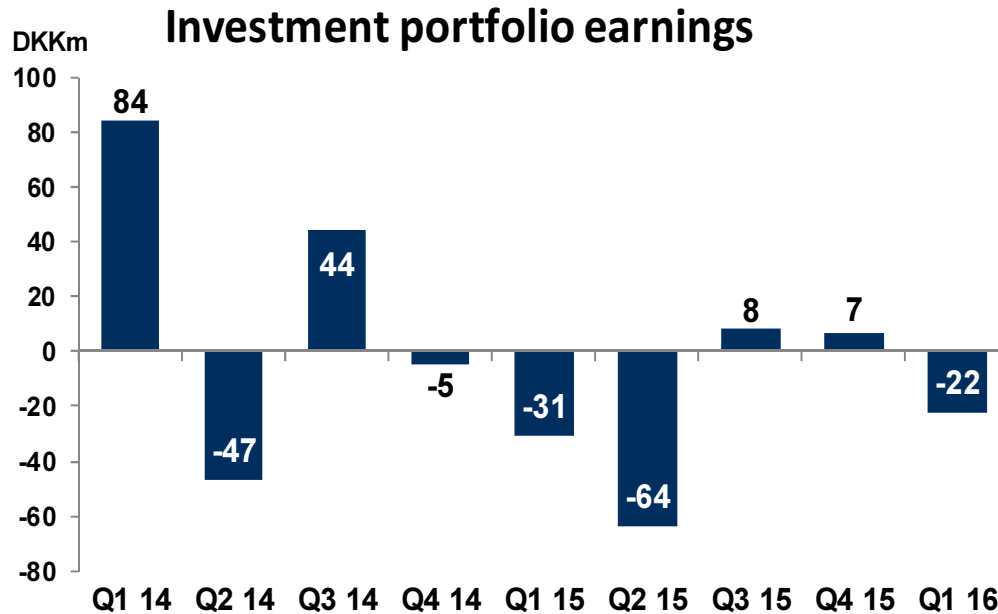
Impaired bank loans – down for eighth consecutive quarter



Individually impaired bank loans

DKKm	31 Mar 2015	31 Dec 2015	31 Mar 2016
Non-defaulted bank loans	4,709	4,523	4,515
Defaulted bank loans	1,991	1,750	1,708
Impaired bank loans	6,700	6,273	6,223
Impairment charges for bank loans subject to individual impairment	3,905	3,569	3,529
Impaired bank loans after impairment charges	2,795	2,704	2,694
Impaired bank loans as % of bank loans before impairment charges	8.9	8.0	7.8
Impairment charges as % of bank loans before impairment charges	5.2	4.6	4.4
Impairment as % of impaired bank loans	58.3	56.9	56.7
Impairment as % of defaulted bank loans	196.1	203.9	206.6

Investment portfolio earnings – negative due to widening credit spreads



Key points Q1 2016:

- The high volatility has resulted in widening credit spreads on mortgage bonds. The loss results from mortgage bond yields having dropped less than the interest rates of hedging transactions.

Investment portfolio earnings

DKKm	Q4 14	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16
Position-taking	-7	-69	-69	5	17	-26
Liquidity generation and reserves	-6	40	7	2	-8	11
Strategic positions	10	0	0	2	0	-5
Costs	-2	-2	-2	-1	-2	-2
Total	-5	-31	-64	8	7	-22

Income statement – costs and impairment charges still under control

DKKm	Q1 2016	Q1 2015	Index	Q1 2016	Q4 2015	Index
Core income	1,050	1,115	94	1,050	1,040	101
Trading income	54	118	46	54	48	113
Total income	1,104	1,233	90	1,104	1,088	101
Costs, core earnings	681	689	99	681	666	102
Core earnings before impairment	423	544	78	423	422	100
Impairment of loans and advances etc	38	116	33	38	44	86
Core earnings	385	428	90	385	378	102
Investment portfolio earnings	-22	-31	-	-22	7	-
Profit before non-recurring items	363	397	91	363	385	94
Non-recurring items, net	-	-	-	-	-	-
Profit before tax	363	397	91	363	385	94
Tax	80	93	86	80	69	116
Profit for the period	283	304	93	283	316	90
Costs (core earnings) / total income, C/I	0.62	0.56		0.62	0.61	
Return on equity, ROE	2.5	2.7		2.5	2.8	
Earnings per share, EPS	4.0	4.1		4.0	4.4	

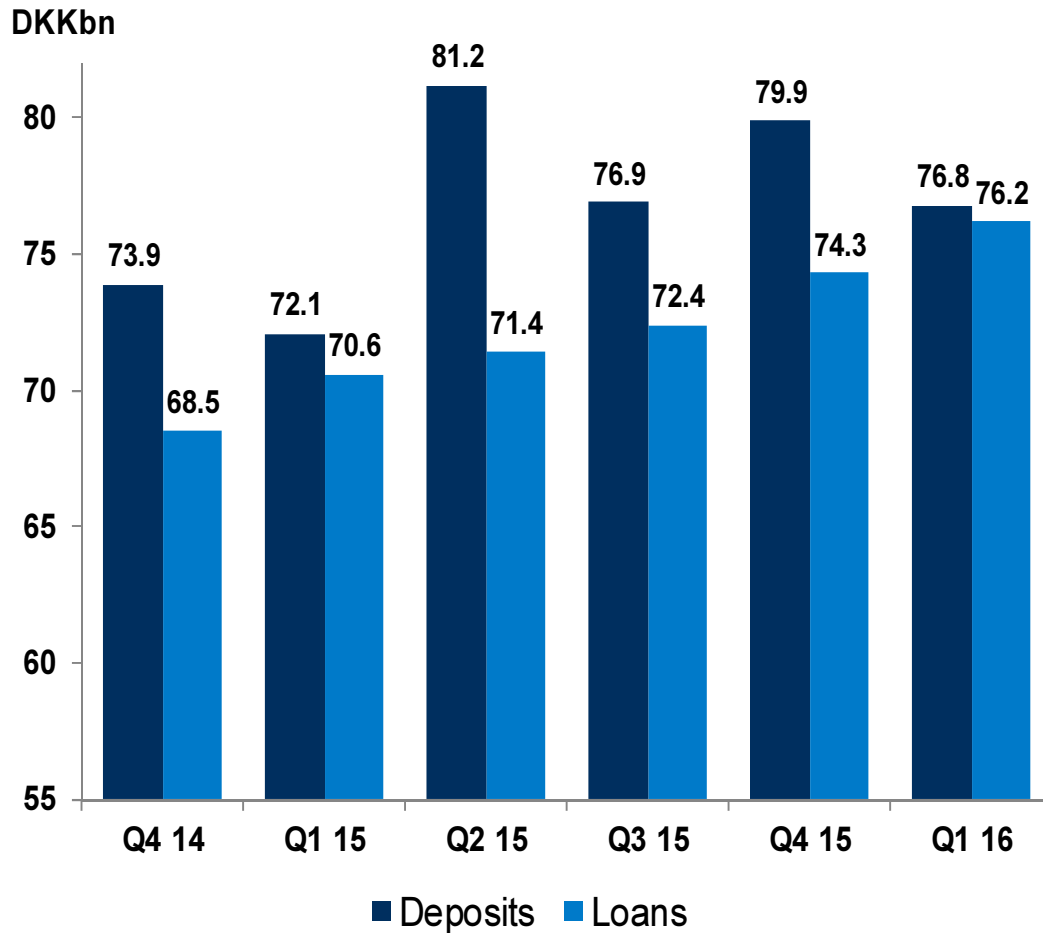
Key points Q1 16 vs Q1 15:

- Core income down by 6%
- Costs (core earnings) down by 1% despite purchase of SIA
- Impairment charges down by 67% from 13bps to 4bps
- Core earnings down by 10%

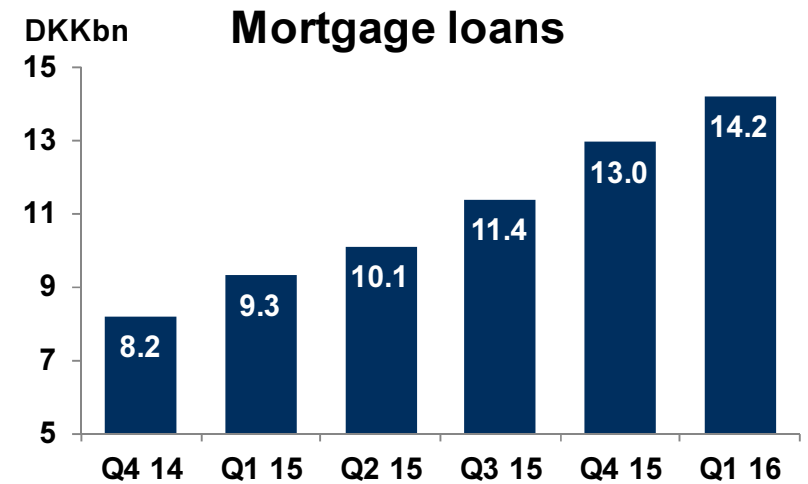
Key points Q1 16 vs Q4 15:

- Core income up by 1%
- Total income up by 1%
- Costs (core earnings) up by 2%
- Impairment charges down by 14% from 5bps to 54ps

Q1 2016: Bank loans up by 2.6% – deposits down by DKK 3.1bn



- Bank loans have risen for nine consecutive quarters. The rise in Q1 2016 represents DKK 1.9bn, equal to 2.6%
- Rise in mortgage loans accounts for DKK 1.2bn in Q1 2016
- Decrease in deposits represents DKK 3.1bn in Q1 2016.



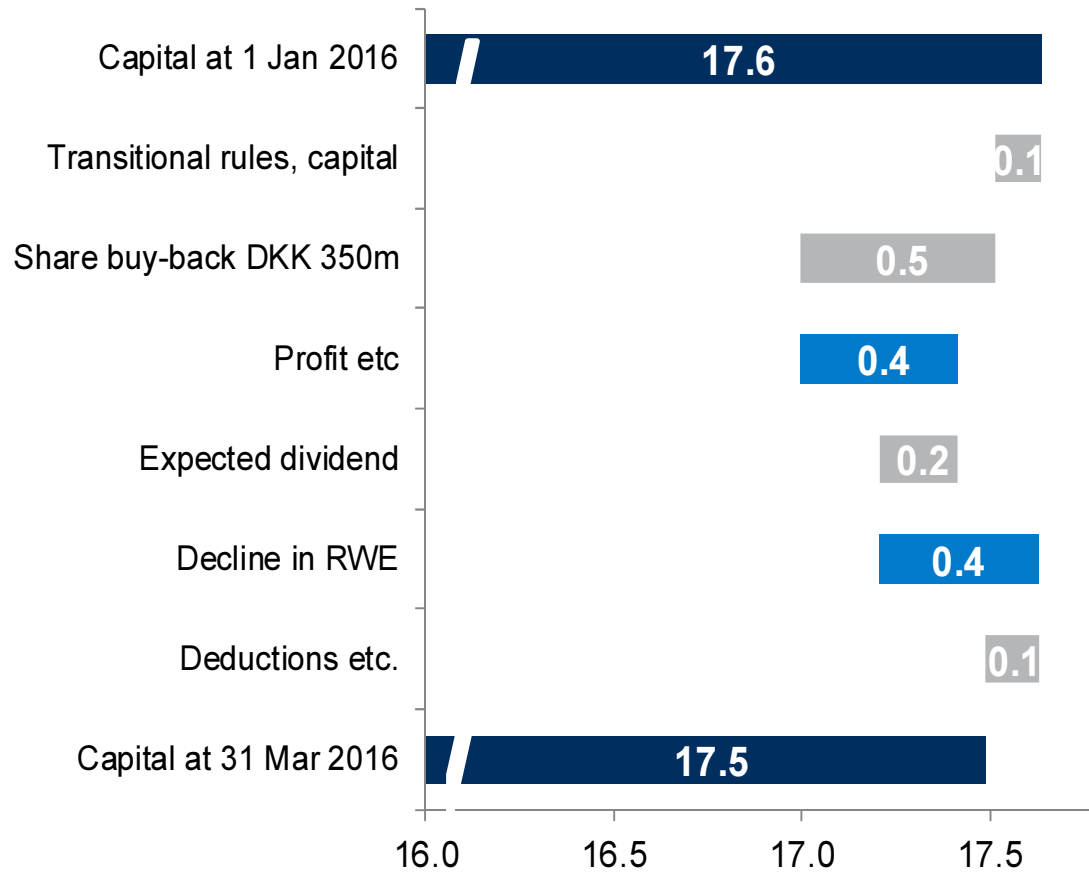
Capital ratios – marginal decline in Q1 2016 due to implemented share buyback programme

DKKm	CRD IV			
	2013	Q4 2014	Q4 2015	Q1 2016
Credit risk	47,616	49,417	44,931	43,895
Market risk	10,197	8,003	8,876	8,455
Operational risk	8,341	8,575	8,173	8,173
Other exposures incl CVA	5,345	6,472	5,975	5,778
Risk-weighted assets	71,499	72,467	67,955	66,301
CET1	9,799	10,101	9,852	9,552
Tier 1	11,037	11,209	10,825	10,385
Total capital	11,586	11,596	11,984	11,596
CET1 ratio	13.7	13.9	14.5	14.4
Tier 1 ratio	15.4	15.5	15.9	15.7
Capital ratio	16.2	16.0	17.6	17.5
Individual solvency need	10.0	10.4	9.7	9.7

Key points Q1 2016:

- The implemented share buyback programme of DKK 350m has reduced capital ratios by 0.5 in Q1 2016
- Continued decrease in RWA

Capital ratio development in Q1 2016



Key points:

- The share buyback programme of DKK 350m has reduced the capital ratio by 0.5 percentage points
- The fall in risk exposure is primarily attributable to credit risk.

Status – targets

Target	Objective	Status at 31 Dec 2015	Comment
Return on shareholders' equity after tax	Over 12%*	10.1%	Progressing as planned
Customer satisfaction - Corporate	Top 3 **	3rd - Aalund	Met in 2015
Customer satisfaction - Retail	Top 3 **	2nd - EPSI	Met in 2015
Common Equity Tier 1 capital ratio	Around 13.5%	14.4%	Met from Q3 2015
Capital ratio	Around 17.0%	17.5%	Met from Q1 2015
Dividend	30-50% of profit for the year after tax	50 + 20% of profit for the year after tax	Met in 2015

* or top 3 ranking among the 6 largest banks

** among the 6 largest banks

Outlook for 2016

- Core income is expected to decline slightly due to price adjustments as a result of the turmoil that arose following the announcement of increases in administration margins on mortgage loans.
- Trading income is projected to remain unchanged relative to income in 2015 but is dependent on financial market developments.
- In spite of the general pay rises agreed for the financial sector of 1.80% and a payroll tax increase of 1.40%, costs (core earnings) are expected to decrease as a result of the measures implemented and the discontinuation of payments to the deposit guarantee scheme.
- Lower impairment charges are forecast for 2016. The uncertainty surrounding price developments in the agricultural sector may however affect impairment charges.

Questions

Thank you

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