Interim Report 9M 2018

Strong credit quality, improved customer satisfaction as well as lower income

31 October 2018

Sydbank

Highlights for 9M 2018

Key points	Strong credit quality, improved customer satisfaction as well as lower income
Profit	Profit of DKK 963m – ROE of 11.2% p.a. after tax
Core income	Core income of DKK 3,003m – down by 4% compared with 9M 2017
Income	Total income of DKK 3,143m – down by 6% compared with 9M 2017
Costs	Costs up by 2% compared with 9M 2017
Impairment charges	Impairment charges represent income of DKK 71m in 9M 2018
Bank loans	DKK 0.4bn decline in bank loans and advances in Q3 2018, equal to 0.6%
CET 1 ratio	CET1 ratio of 16.1% – up by 0.6% in Q3 2018

Core income – 9M 2018 down 4% vs 9M 2017

DKKm	9M 2018	9M 2017	Index	Q3 2018	Q2 2018	Index
Net interest income etc	1,358	1,520	89	439	459	96
Mortgage credit *	438	427	103	149	143	104
Payment services	149	149	100	52	52	100
Remortgaging and loan fees	98	104	94	30	30	100
Commission and brokerage	228	273	84	70	76	92
Commission etc investment funds and pooled pension plans	330	291	113	90	97	93
Asset management	200	188	106	66	67	99
Custody account fees	52	53	98	17	16	106
Other operating income	150	124	121	50	47	106
Total	**3,003**	**3,129**	**96**	**963**	**987**	**98**
* Set-off of loss Totalkredit	15	22	68	3	6	50

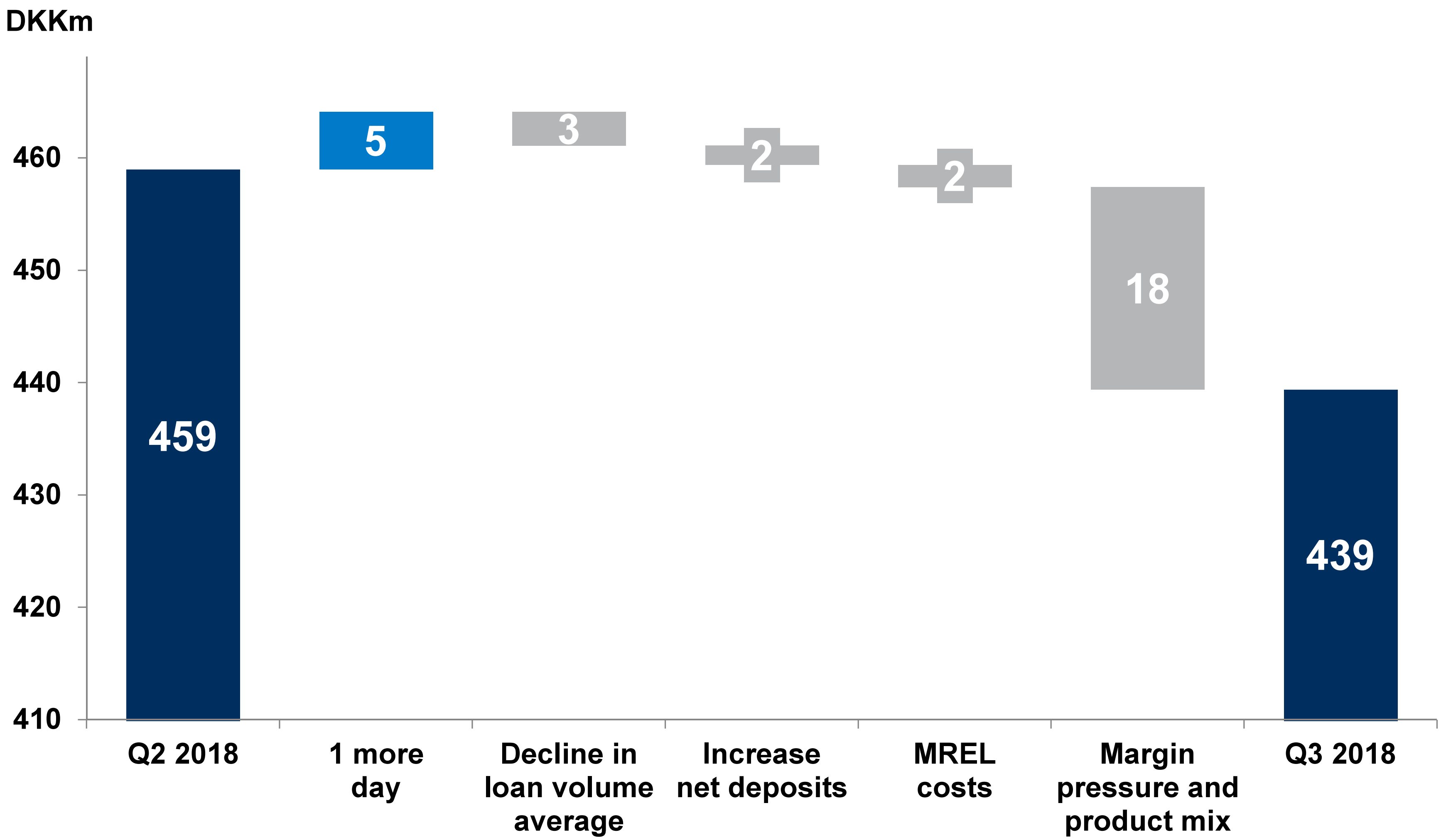
Key points 9M 18 vs 9M 17:

- Net interest income etc down by 11% – 3% due to funding of mortgage-like loans
- Commission and brokerage down by 16%
- Commission etc investment funds up by 13% due to revaluation of BI Holding
- Asset management up by 6%
- Other items up by a total of 4%.

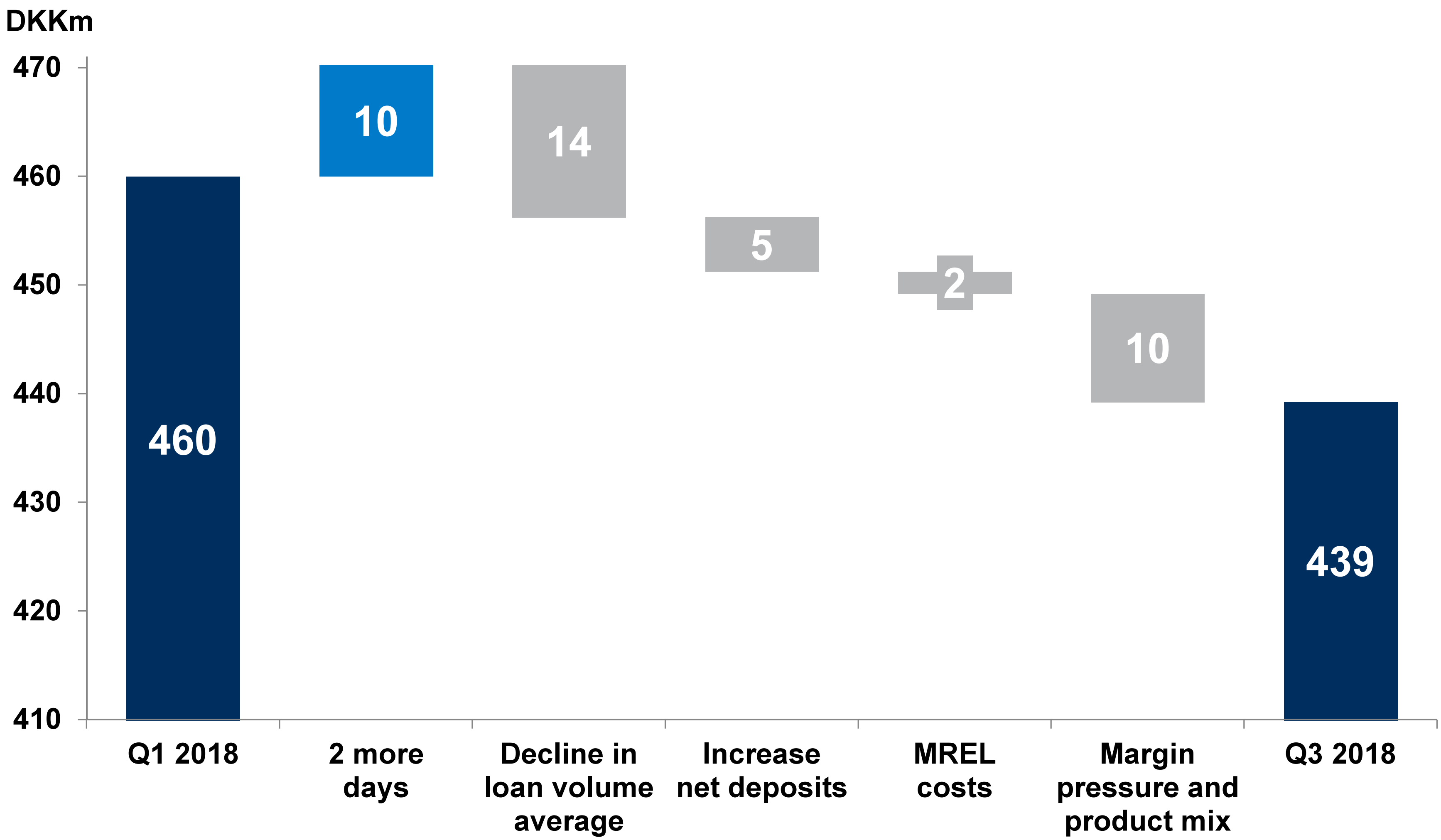
Key points Q3 18 vs Q2 18:

- Net interest income down by 4%
- Mortgage credit – IFRS 9 impact on PRAS shares in Q2 18
- Other items down by a total of 3%.

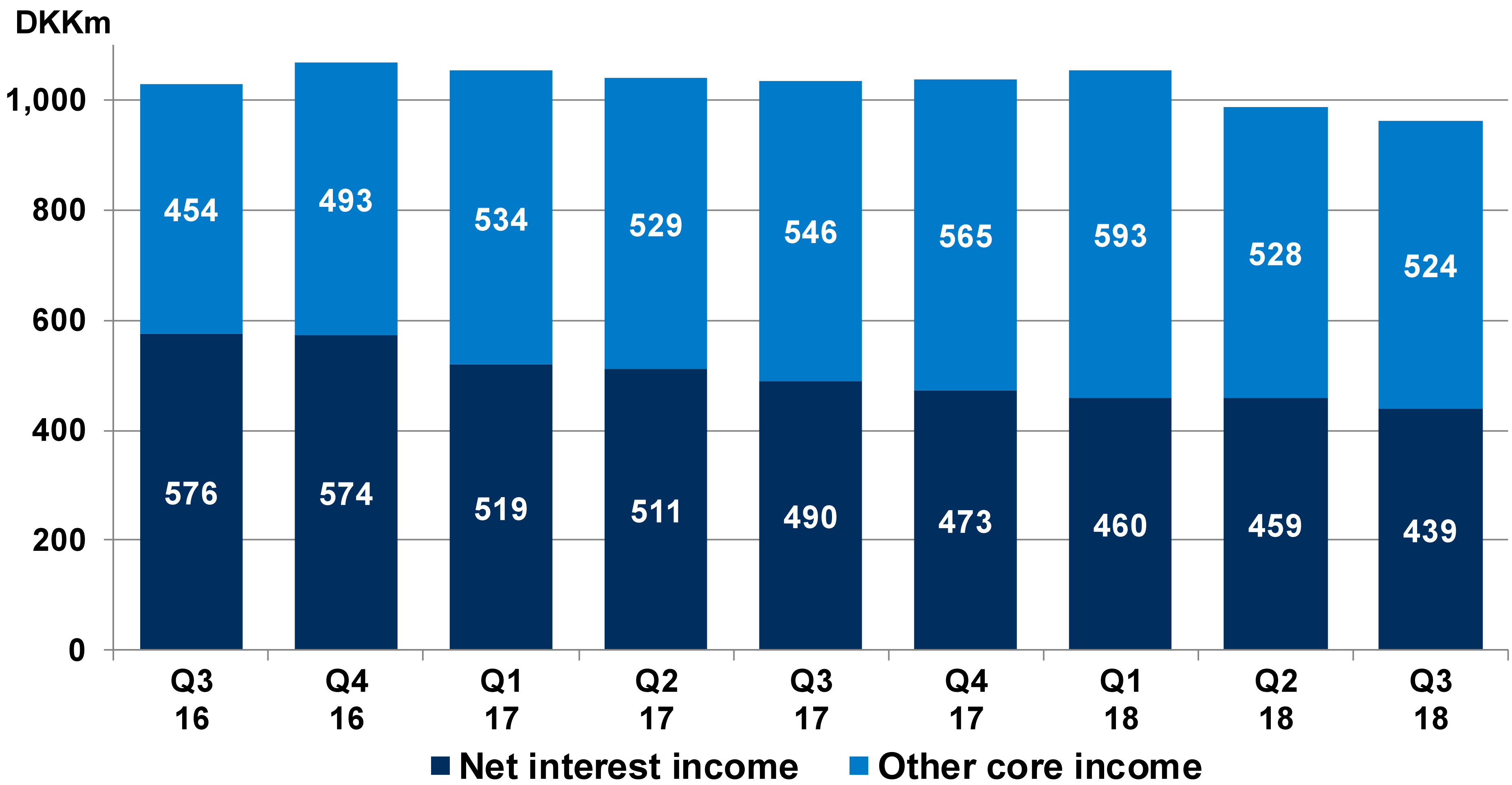
Net interest income etc – development from Q2 2018 to Q3 2018



Net interest income etc – development from Q1 2018 to Q3 2018



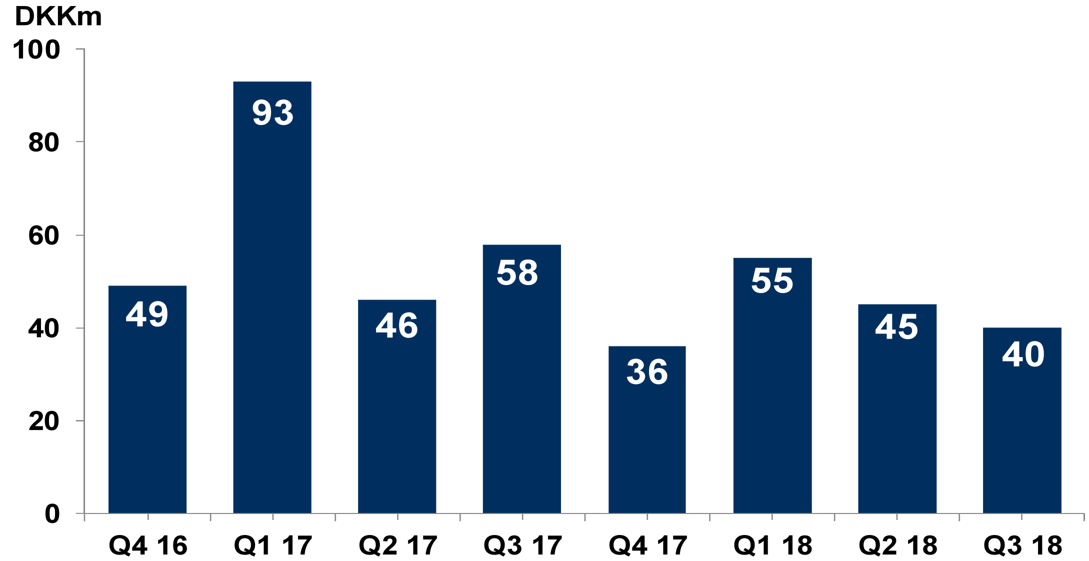
Net interest income represents 46% of core income in Q3 vs 47% in Q2



Trading income – acceptable level in Q3 2018

Key points:

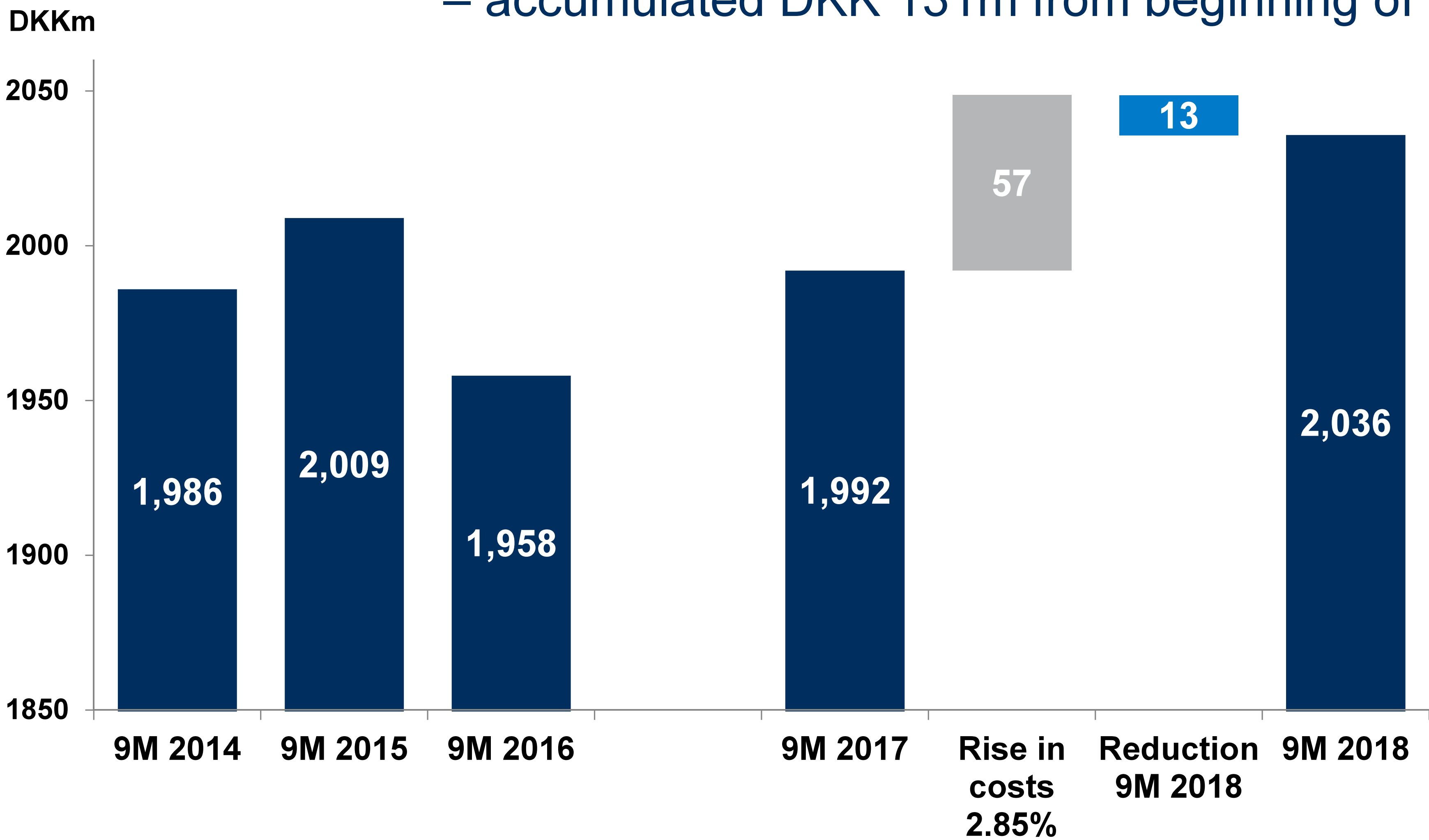
- DKK 40m recorded in Q3 2018 vs DKK 45m in Q2 2018
- In Fixed Income considerable trading activity was recorded in mortgage bonds also in Q3 2018.



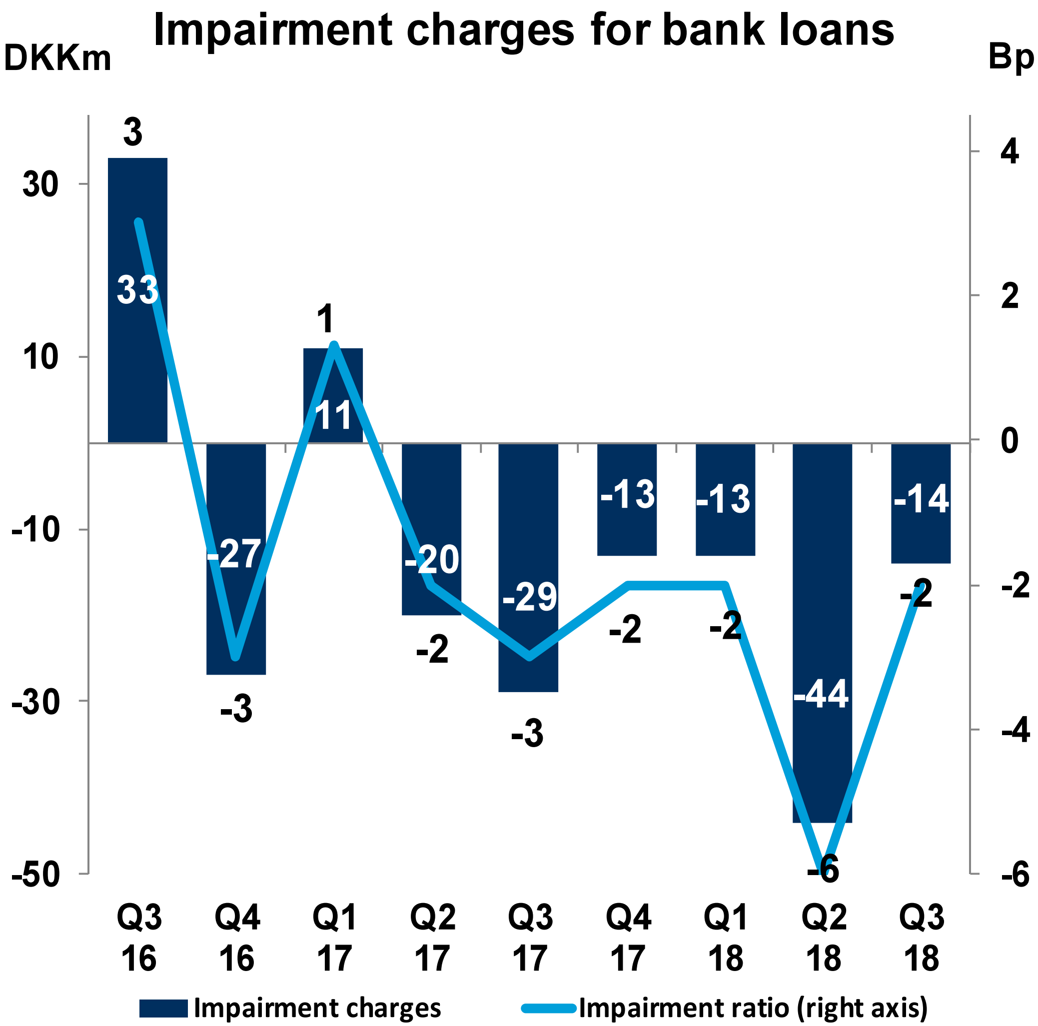
Trading income

DKKm	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	Q2 18	Q3 18
Bonds	25	63	30	36	14	39	19	27
Shares	12	22	9	13	14	6	17	6
Foreign exchange, etc	12	8	7	9	8	10	9	7
Total	**49**	**93**	**46**	**58**	**36**	**55**	**45**	**40**

Costs (core earnings) – reduction of DKK 13m in 9M 2018 – accumulated DKK 131m from beginning of 2016



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

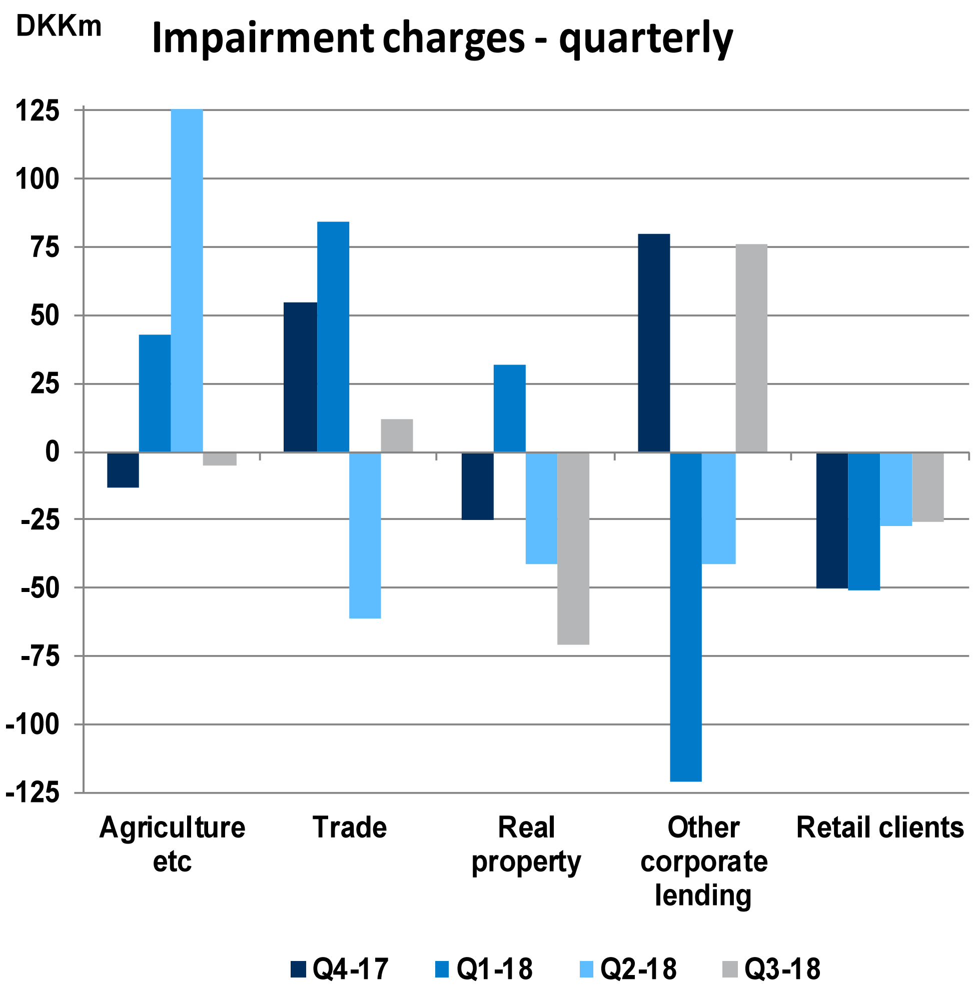


Reversal for sixth consecutive quarter.

Impairment charges represent:

- Minus 9bps in 9M 2018, down from minus 5bps in 9M 2017
- Minus 2bps in Q3 2018, up from minus 6bps in Q2 2018.

Net reversal in Q3 2018

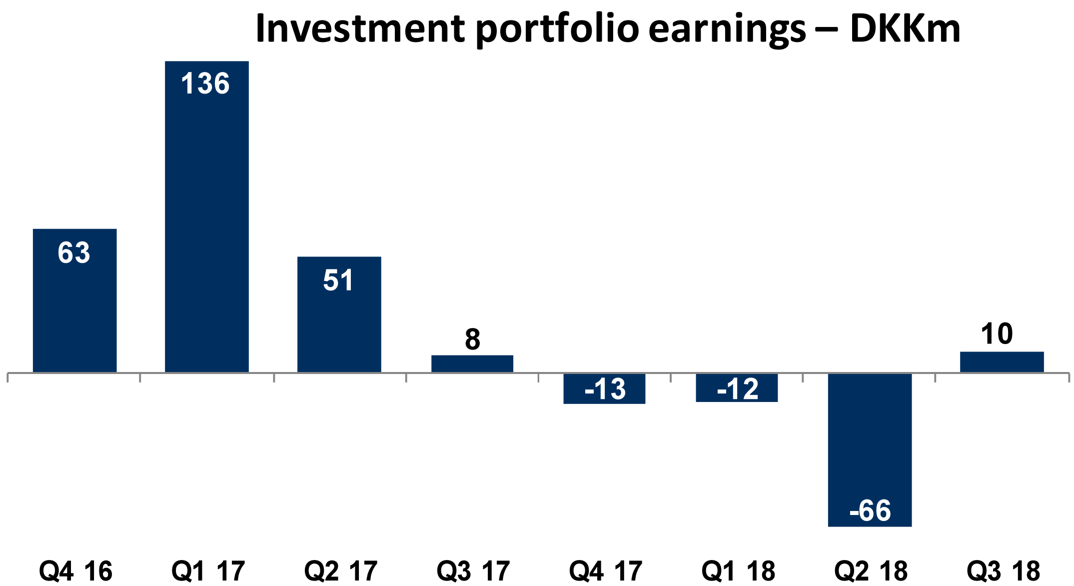


Key points Q3 2018:

- Impairment charges as regards corporate exposures represent DKK 12m
- Provision as regards agriculture has been maintained at DKK 125m
- Impairment charges as regards retail exposures represent minus DKK 26m.

DKKm	Q2 17	Q3 17	Q4 17	Q1 18	Q2 18	Q3 18
Agriculture etc	17	-17	-13	43	126	-5
Trade	10	-1	55	84	-61	12
Real property	-16	-12	-25	32	-41	-71
Other corporate lending	27	21	80	-121	-41	76
Total corporate lending	38	-9	97	38	-17	12
Retail clients	-49	4	-50	-51	-27	-26
Individual impairments	-11	-5	47	-13	-44	-14
Collective impairments	-9	-24	-60	-	-	-
Total impairments	**-20**	**-29**	**-13**	**-13**	**-44**	**-14**

Investment portfolio earnings – positive result for Q3 2018



Investment portfolio earnings

DKKm	Q2 17	Q3 17	Q4 17	Q1 18	Q2 18	Q3 18
Position-taking	48	-21	2	-4	-54	16
Liquidity generation and reserves	6	16	-9	-1	-3	-5
Strategic positions	-1	14	-4	-5	-7	0
Costs	-2	-1	-2	-2	-2	-1
Total	**51**	**8**	**-13**	**-12**	**-66**	**10**

Investment portfolio earnings for 9M 2018 represent minus DKK 68m compared with earnings of DKK 195m in 9M 2017.

Investment portfolio earnings for Q3 2018 represent DKK 10m compared with earnings of minus DKK 66m in Q2 2018.

The investment portfolio earnings in Q3 2018 are the result of a tiny increase in interest rates combined with unchanged credit spreads on mortgage bonds.

The risk continues to be composed so that the Group will profit from an interest rate increase.

Income statement – ROE of 11.2% in 9M 2018

DKKm	9M 2018	9M 2017	Index	Q3 2018	Q2 2018	Index
Core income	3,003	3,129	96	963	987	98
Trading income	140	197	71	40	45	89
Total income	**3,143**	**3,326**	**94**	**1,003**	**1,032**	**97**
Costs, core earnings	2,036	1,992	102	639	694	92
Core earnings before impairment	**1,107**	**1,334**	**83**	**364**	**338**	**108**
Impairment of loans and advances etc	-71	-38	-	-14	-44	-
Core earnings	**1,178**	**1,372**	**86**	**378**	**382**	**99**
Investment portfolio earnings	-68	195	-	10	-66	-
Profit before non-recurring items	**1,110**	**1,567**	**71**	**388**	**316**	**123**
Non-recurring items, net	83	-23	-	-9	-13	-
Profit before tax	**1,193**	**1,544**	**77**	**379**	**303**	**125**
Tax	230	340	68	84	66	127
Profit for the period	**963**	**1,204**	**80**	**295**	**237**	**125**
Costs (core earnings) / total income, C/I	0.65	0.60		0.64	0.67	
Return on equity, ROE full-year basis	11.2	13.9		10.2	8.2	
Earnings per share, EPS	14.4	17.5		4.4	3.5	

Key points 9M 18 vs 9M 17:

- Core income down by 4%
- Trading income down by 29%
- Costs (core earnings) up by 2%
- Reversal of impairment charges
- Core earnings down by 14%
- Negative investment portfolio earnings.

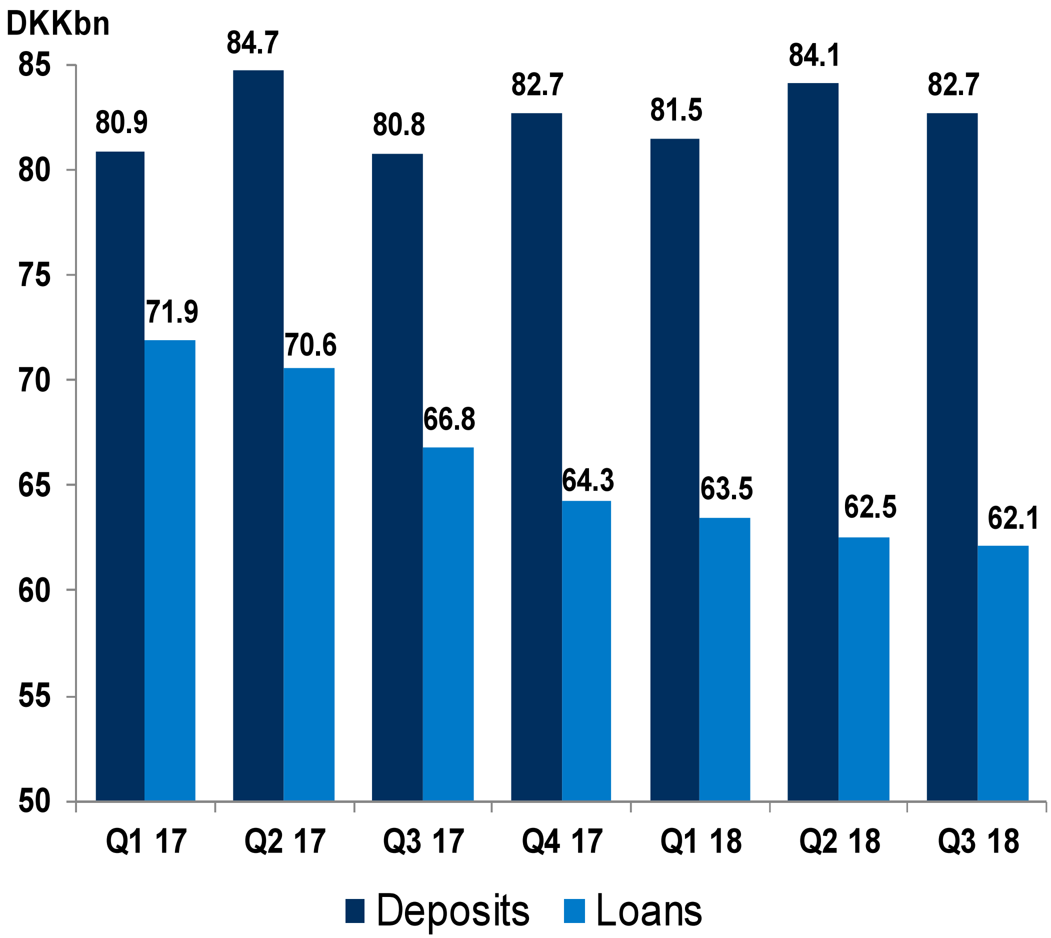
Key points Q3 18 vs Q2 18:

- Core income down by 2%
- Trading income down by 11%
- Costs (core earnings) down by 8% due to seasonal fluctuations.

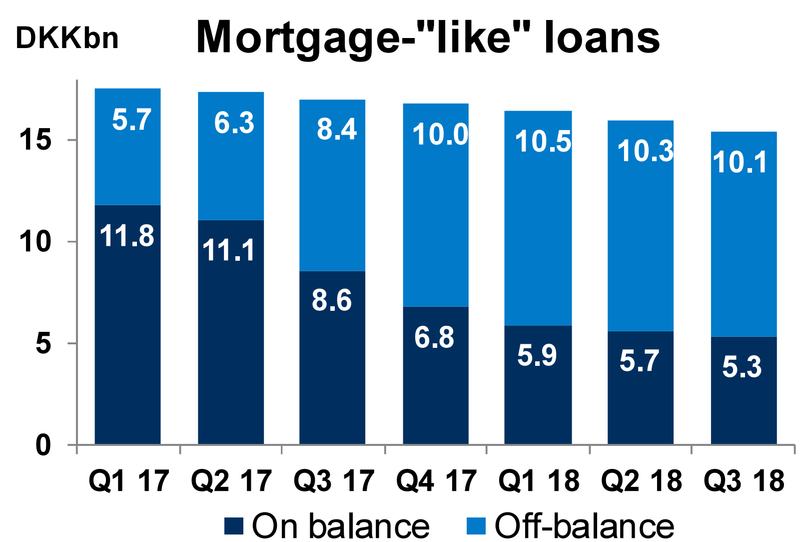
Non-recurring items, 9M 18:

- Profit on the sale of shares in ValueInvest of DKK 110m
- Costs of DKK 27m related to Blue growth projects.

Loans and advances declined by DKK 0.4bn in Q3 2018



- Loans and advances declined by DKK 0.4bn in Q3 2018, equal to 0.6%
- Mortgage-like loans, incl funded mortgage-like loans, dropped by DKK 0.5bn in Q3 2018
- Funded mortgage-like loans constitute DKK 10.1bn.



Total credit intermediation – overall drop of 0.1% in Q3 2018

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**

- Total credit intermediation declined by DKK 0.2bn in Q3 2018, equal to a 0.1% drop.
- Total credit intermediation to retail clients – by way of bank loans and advances, funded mortgage-like loans and arranged mortgage loans – declined by DKK 0.3bn in Q3 2018.
- Total credit intermediation to corporate clients, incl DLR, is unchanged in Q3 2018.

Capital ratios are favourably affected by a decline in risk in Q3 2018

DKKm	Q4 2016	Q4 2017	Q2 2018	Q3 2018	De facto
Credit risk	41,683	38,933	36,810	36,168	36,168
Market risk	8,075	6,239	7,567	6,001	6,001
Operational risk	8,025	8,023	8,023	8,023	8,023
Other exposures incl CVA	5,824	5,694	5,329	5,395	5,395
Risk exposure amount	63,607	58,889	57,729	55,587	55,587
CET1	10,213	10,167	8,955	8,959	9,441
Tier 1	11,044	10,446	9,923	9,928	10,410
Total capital	12,242	12,240	11,765	11,768	12,250
CET1 ratio	16.1	17.3	15.5	16.1	17.0
Tier 1 ratio	17.4	17.7	17.2	17.9	18.7
Capital ratio	19.2	20.8	20.4	21.2	22.0
Individual solvency need	10.2	11.0	11.0	11.3	11.3

Key points Q3 2018:

- The DKK 2.1bn decline in REA is attributable to a decline in market risk of DKK 1.6bn and a decline in credit risk of DKK 0.6bn
- The overall rise in capital ratios constitutes 0.8pp during the quarter
- Profit for the period is not included in the calculation of capital
- 50% of profit for the period is recognised under “de facto”.

Key points Q1 and Q2 2018

- Share buyback programme of DKK 1,250m has reduced capital ratios by 2.1% in Q1 and Q2 2018
- Issue of Additional Tier 1 capital worth EUR 100m has improved the capital ratio by 1.3% in Q2 2018.

DKKm	Q4 2016	Q4 2017	Q2 2018	Q3 2018
Corporate, IRB	30,306	28,131	26,983	26,547
Retail, IRB	9,200	8,271	7,816	7,638
Corporate, STD	605	413	320	316
Retail, STD	648	731	772	825
Credit institutions etc.	924	1,387	919	842
Total credit risk	**41,683**	**38,933**	**36,810**	**36,168**

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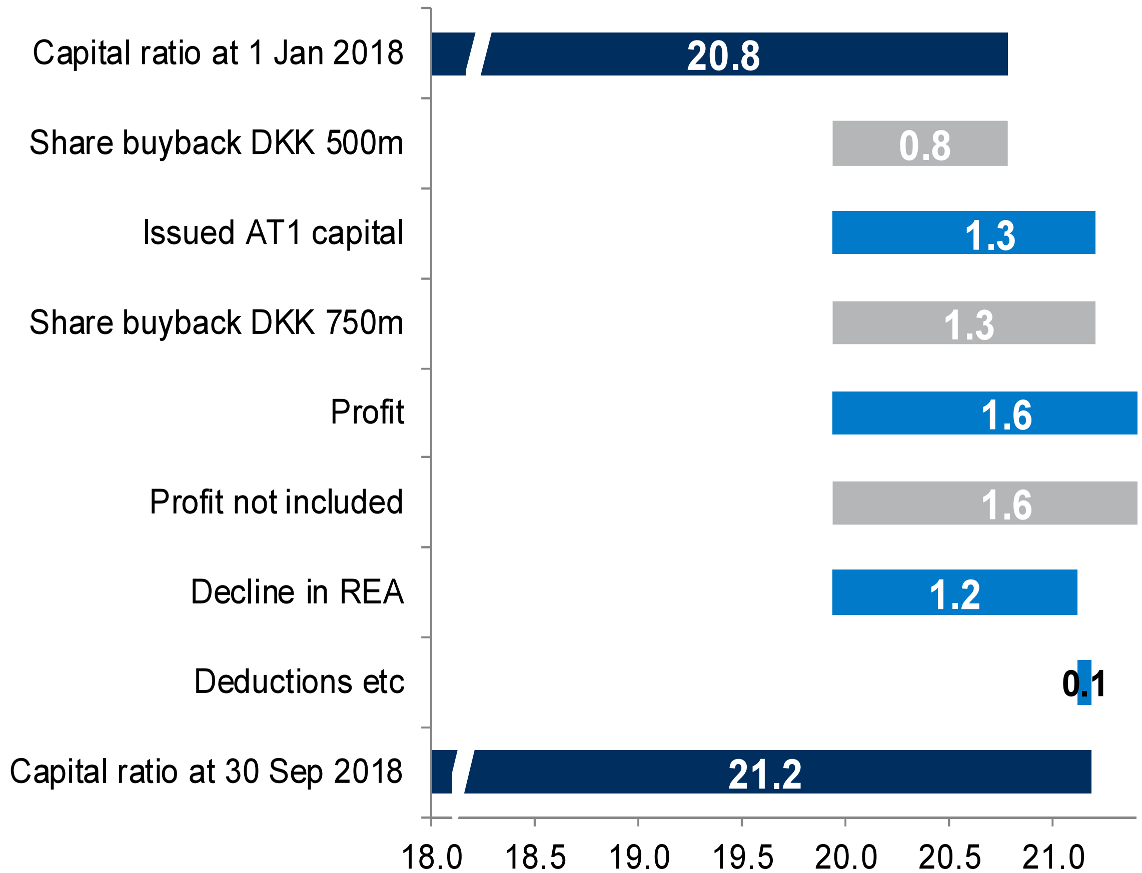
Capital ratio development in 9M 2018



Key points:

- The implemented share buyback programme of DKK 1.250m has reduced the capital ratio by 2.1 percentage points
- Profit for 9M 2018 is not included in capital ratio calculation
- The decline in risk exposure amount – REA – is mainly attributable to credit risk.

Status – targets

Target	Objective	Status 30 September 2018	Comment
Return on shareholders' equity after tax	Over 12%*	11.2%	Currently not met
Customer satisfaction - Corporate	Top 3 **	3th - Aalund	Met 2018
Customer satisfaction - Retail	Top 3 **	3th - EPSI	Met 2018
Common Equity Tier 1 capital ratio	Around 14.0%	16.1%	Met from Q3 2013
Capital ratio	Around 18.0%	21.2%	Met from Q1 2015
Dividend	30-50% of profit for the year after tax	50% of profit for the year after tax in 2017	Met in 2017

* or top 3 ranking among the 6 largest banks

** among the 6 largest banks

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 is forecast to be in the range of DKK 1,250m-1,325m. In our interim report for the first half-year profit after tax was expected to be in the lower part of the range of DKK 1,340m-1,540m.

Sydbank's development

Trimming
- Profitablility plan
2014-2015

Consolidation
- Blue growth
2016-2018

Refinement
- A stronger bank
2019-2021

Strategy map 2019-2021

Strategy direction	**A stronger bank**		
Market assumptions	**Macroeconomic outlook** Low demand for loans Intensified competition Upward pressure on costs	**Ramifications of the financial crisis** Tighter legislation and regulations Higher qualification requirements	
Themes	**Customer first** *A sharper customer focus*	**More Sydbank** *A stronger profile*	**What works** *A more powerful engine room*
Initiatives	• Customer culture • Customer relations • Accessibility • Relevance • Speed and quality	• Profile • External awareness • Decency • Values	• Simplification • Digitization • Optimisation • Driving force • Fintech
Strategic goals	Customer satisfaction	Employee engagement	ROE

We will build a stronger bank – strategic goals

Strategic goals

Customer satisfaction

Sydbank builds on long-term customer relationships. We aim for a positive trend in customer satisfaction which we monitor closely through internal customer surveys across customers' touch points with the Bank.

Employee engagement

Sydbank considers excellent and committed employees to be its most important asset and aims to retain the present high level. This is monitored closely through internal employee commitment surveys.

ROE

Top 3 ranking among the 6 largest banks

Questions

Thank you

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Forward-looking statements

- This presentation contains statements concerning expectations of future developments, including future income as well as expected business events.

  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.