

Sydbank's 2018 Annual Report

Highest return on equity among SIFI banks in Denmark. All Blue growth objectives have been met

Sydbank's 2018 financial statements show a profit before tax of DKK 1,420m compared with DKK 1,956m in 2017. The decrease of DKK 536m is primarily attributable to a decline in total income of DKK 311m and a drop in investment portfolio earnings of DKK 309m. Profit before tax equals a return of 12.5% p.a. on average equity.

Profit for the year after tax represents DKK 1,156m against DKK 1,531m in 2017, equal to a return on average equity of 10.2%. At the beginning of 2018 profit after tax was projected to be in the region of DKK 1,200-1,400m.

CEO Karen Frøsig comments on the year's result:

- The banking environment has become significantly more challenging. As a result of the negative interest rate environment combined with fierce competition in the sector, the Group's net interest income continues to be under pressure and banks' earnings power is being dragged down. Therefore it is positive that we are still able to generate a double-digit return on equity – the best among Danish SIFI banks in 2018. The result we have achieved is in no small part thanks to the efforts of Sydbank's many highly skilled employees.

At the same time it is highly satisfactory that the level of credit quality enables us to reverse impairment charges of more than a hundred million in 2018.

Karen Frøsig continues:

Based on the results achieved during the strategy period that has just ended where all the specified targets were met, I am looking forward to the strategy period that has just started where focus is on creating a stronger bank with the keywords "Customer first", "More Sydbank" and "What works".

Chairman of Sydbank's Board of Directors Torben Nielsen elaborates:

- We have generated a return on equity of more than 10% in a highly competitive and challenging market for banks with little growth in lending. Sydbank does not wish to dilute credit quality in order to create growth in lending. The result achieved in 2018 ensures a high dividend per share as well as the possibility of launching a new share buyback programme of DKK 250m. After a total distribution of DKK 840m, the Bank will continue to be well capitalised.

2018 highlights

- A 7% decrease in total income
- A 3% rise in costs (core earnings)
- A reversal of DKK 122m in impairment charges
- A drop in core earnings of DKK 325m to DKK1,489m
- Negative investment portfolio earnings of DKK 127m
- Bank loans and advances of DKK 61.0bn
- Deposits of DKK 86.3bn
- A capital ratio of 22.4%, including a Common Equity Tier 1 capital ratio of 17.3%
- A proposed dividend of DKK 9.36 per share.

Outlook for 2019

Limited growth is projected for the Danish economy in 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.

The uncertainty surrounding price developments in the agricultural sector may however affect impairment charges.

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.

Additional information

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Karen Frøsig, CEO, Bjarne Larsen, Deputy Group Chief Executive, and Jørn Adam Møller, CFO, will present the Interim Report today at 10.00 (CET) at a teleconference. The teleconference will be held in Danish and may be attended via

www.sydbank.dk/omsydbank

Attendees are invited to call +45 35 44 55 77. Please quote the following code: 71932417#