

Sydbank's Interim Report – First Half 2020

Higher than expected income raises expectations for the year's profit in 2020

1H 2020 – highlights

- Profit of DKK 324m equals a return on equity of 5.4% p.a. after tax.
- Core income of DKK 1,829m is 1% higher compared to the same period in 2019.
- Costs (core earnings) are 1% lower compared to the same period in 2019 and constitute DKK 1,418m.
- Impairment charges for loans and advances represent an expense of DKK 42m compared with an income of DKK 34m in the same period in 2019.
- Total credit intermediation amounts to DKK 141.2bn – a decline of DKK 3.9bn compared to year-end 2019.
- The CET1 ratio has risen by 2.4 percentage points compared to 31 December 2019 and constitutes 20.2% excluding profit for the period.
- The deposit surplus is the highest on record. This is a strain on income and consequently another reason why we will adjust our offers to retail customers. Our current offer where several accounts with a minimum amount are exempt from negative interest will be changed to a market consistent solution whereby customers will exclusively be offered a deposit account with a DKK 250,000 limit which can be exempted from negative interest. In the period ahead we will carefully consider reducing this limit.

CEO Karen Frøsig comments on Sydbank's 1H result:

- It is good news that profit for Q2 is substantially better than expected earlier this year. Consequently we can revise our expectations for the year's profit after tax to now being in the range of DKK 600-800m. Trading income, impairment charges for loans and advances and investment portfolio earnings are better than expected in connection with the most recent quarterly report.

CEO Karen Frøsig on the trends in customers' finances:

- Our customers as a whole have so far weathered the coronavirus crisis well. Due to greater uncertainty many customers have requested increased cash resources. However credit facility drawings are down significantly due to lower willingness to invest as well as the deferral of VAT and tax payments for businesses.
- We have not yet seen specific signs of a deterioration in credit quality and we can note that the previously recorded impairment charges were more than sufficient, which is why we see a net reversal of impairment charges in Q2 2020.

Board chairman Lars Mikkellaard-Jensen on capital resources in times of uncertainty:

- During times of higher than usual uncertainty it is especially reassuring to note that our capital position is more robust than ever. The CET1 ratio is substantially higher than the regulatory requirement and our own target.
- The Board of Directors is pleased that the Bank's employees have managed to service customers in a highly satisfactory manner during a period of time which is unusual in many respects involving for instance widespread home working and online meetings.

Outlook for 2020

- Significant negative growth is projected for the Danish economy in 2020.
- Core income is expected – despite lower activity caused by covid-19 – to be on a par with the core 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 will be adversely impacted by the effects of covid-19.

- 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 600-800m.
- In light of the coronavirus crisis the outlook for 2020 is subject to greater uncertainty than usual.

Additional information

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