

The background features large, 3D, dark blue letters 'S' and 'V' that are illuminated from the side, creating a strong glow and shadow effect. The 'S' is on the left and the 'V' is on the right, both appearing to be part of a larger word or logo.

Interim Report H1 2021

Earnings up by 20%

Highlights H1 2021

Earnings up by 20%

Profit

Profit of DKK 645m – **ROE of 10.4%** p.a. after tax

Core income

Core income of DKK 2,193m in H1 2021 – **up by 20%** compared with H1 2020. 10% of increase is attributable to Alm. Brand Bank

Total income

Total income of DKK 2,334m in H1 2021 – **up by 20%** compared with H1 2020

Costs

Costs in H1 2021 up by 16% due to Alm. Brand Bank compared with H1 2020 – **Synergies/reduction of DKK 93m** in H1 2021

Impairment charges

Impairment charges represented an **income of DKK 206m** in H1 2021 – of which DKK 125m in Q2 2021

Credit intermediation

Total credit intermediation **up by DKK 3.3bn** – of which corporate lending DKK 2.6bn in H1 2021

Capital

Distribution concerning 2019 cancelled – **distribution expected** in Q4 2021

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Core income – level remains high

DKKm	H1 2021	H1 2020	Index	Q2 2021	Q1 2021	Index
Net interest income etc	865	750	115	431	434	99
Mortgage credit	348	300	116	172	176	98
Payment services	97	72	135	50	47	106
Remortgaging and loan fees	94	85	111	41	53	77
Commission and brokerage	241	186	130	107	134	80
Commission etc investment funds and pooled pension plans	171	139	123	88	83	106
Asset management	185	139	133	96	89	108
Custody account fees	49	39	126	24	25	96
Other operating income	143	119	120	79	64	123
Total	2,193	1,829	120	1,088	1,105	98

Key points H1 2021 vs H1 2020

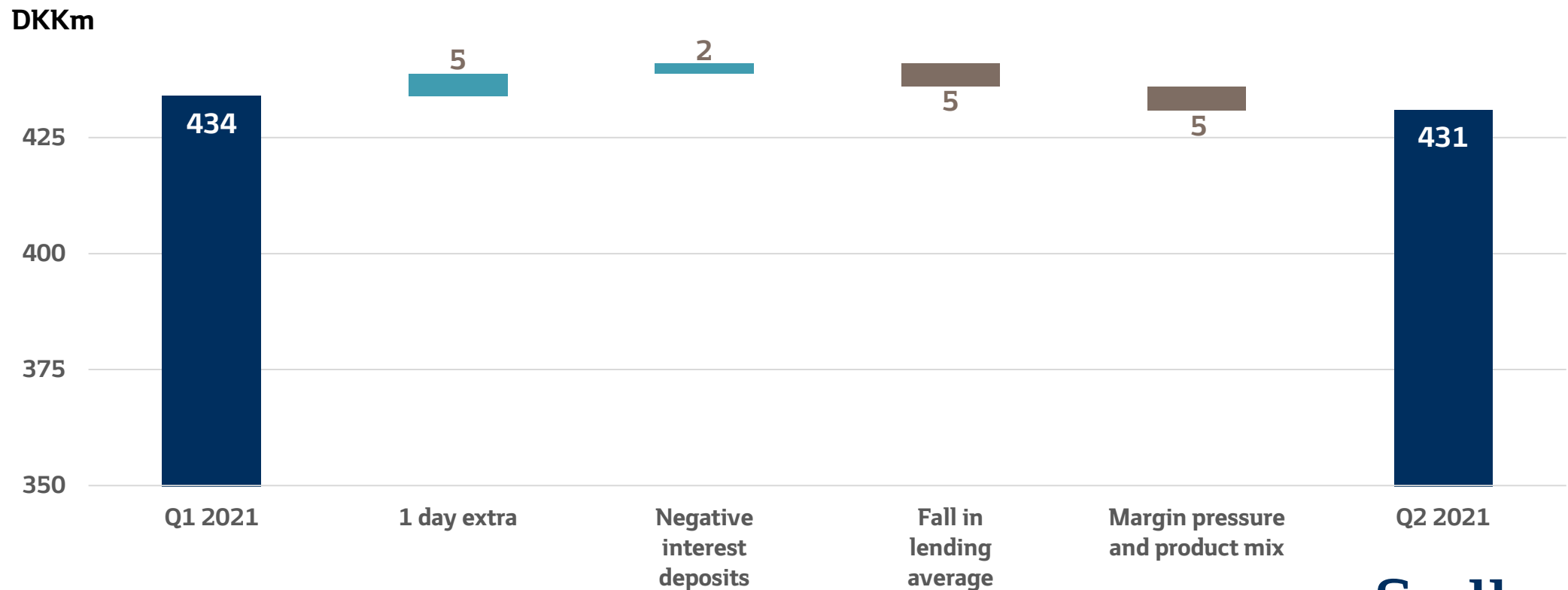
- Net interest income etc up by 15%
- Mortgage credit up by 16%
- Commission and brokerage up by 30% due to high trading activity in 2021
- Other items, in total up by 25%.

Key points Q2 2021 vs Q1 2021

- Net interest income etc down by 1%
- Mortgage credit down by 2%
- Commission and brokerage down by 20%
- Other items, in total up by 5%.

Net interest etc

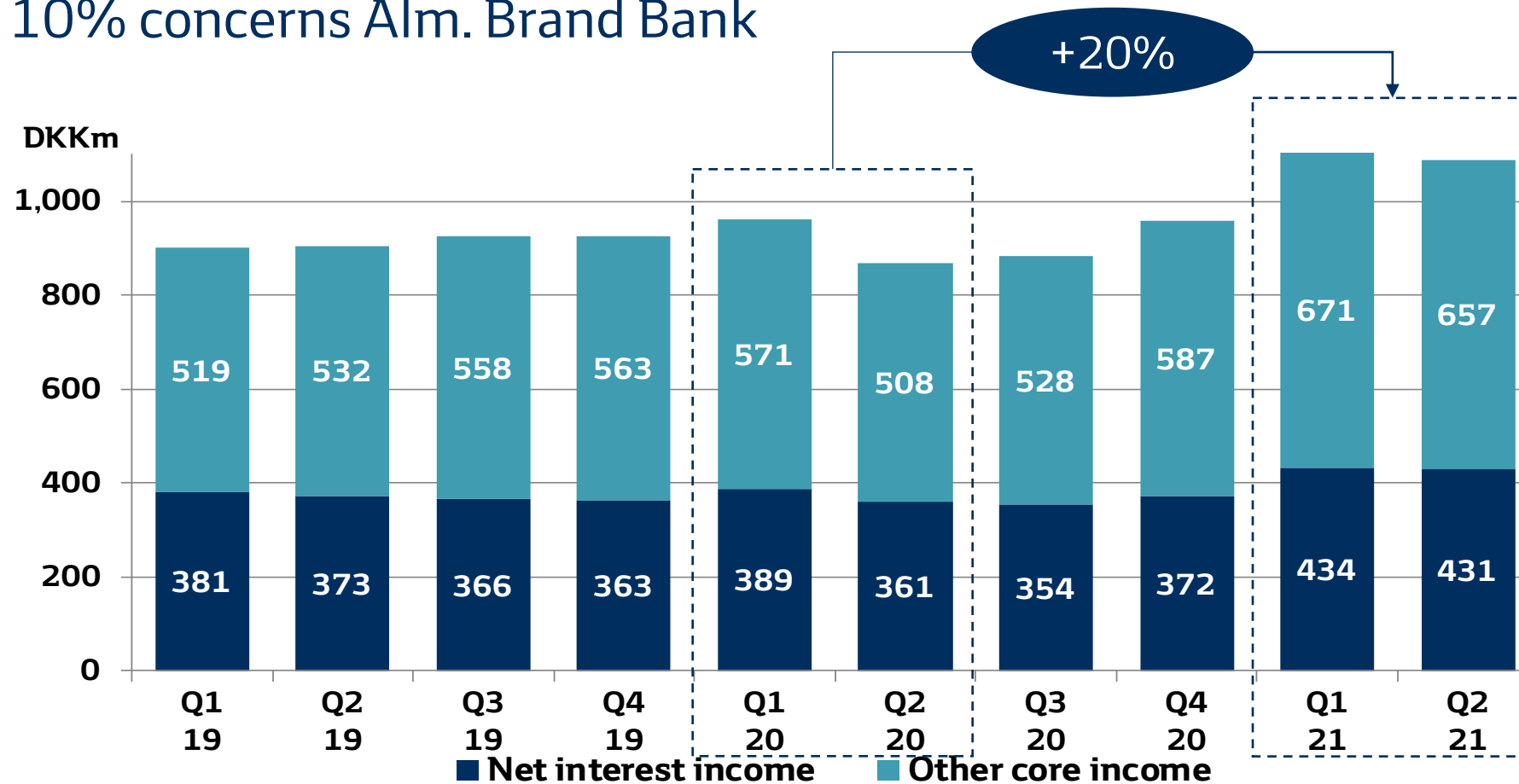
Development from Q1 2021 to Q2 2021



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Core income - up by 20%

10% concerns Alm. Brand Bank

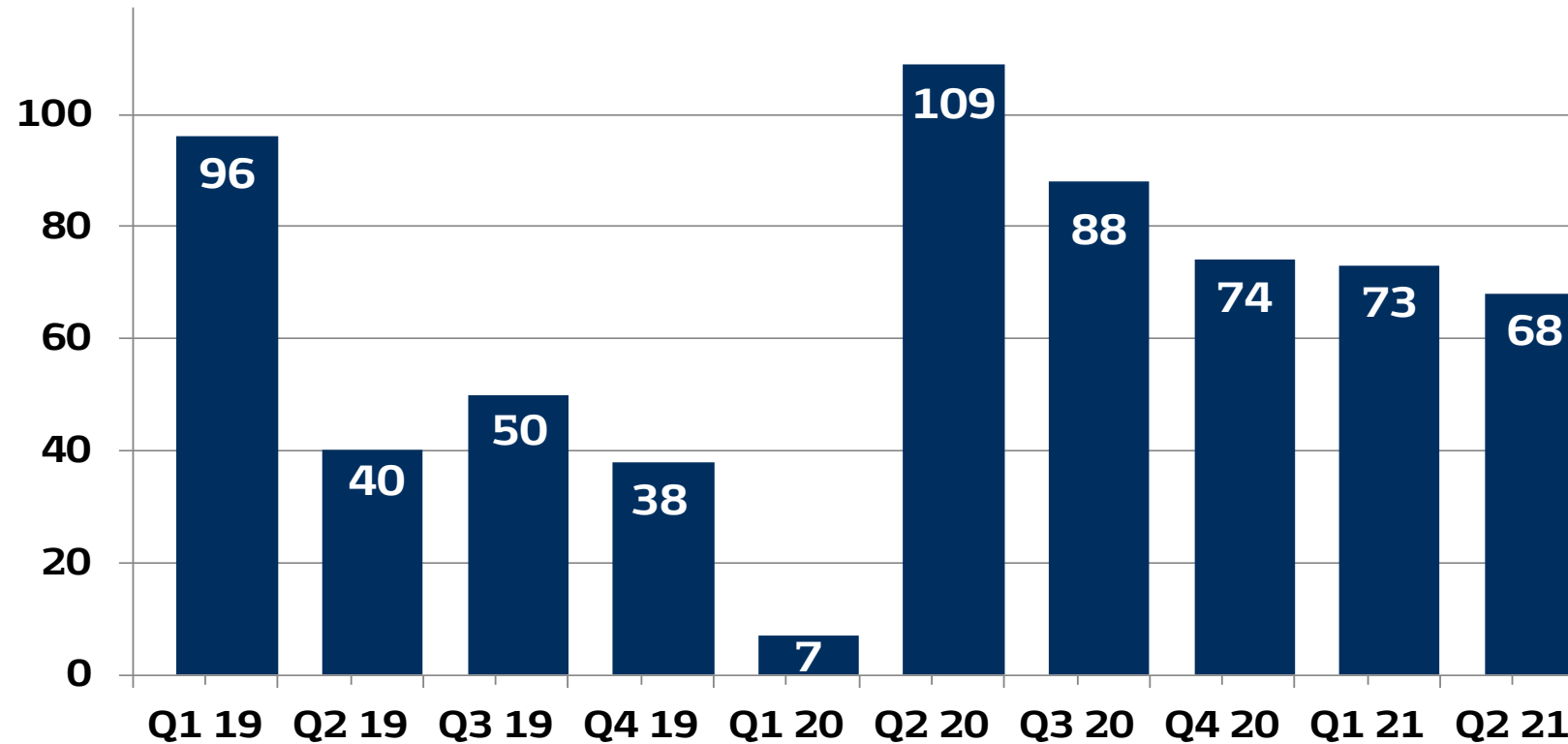


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Trading income

– a satisfactorily high level

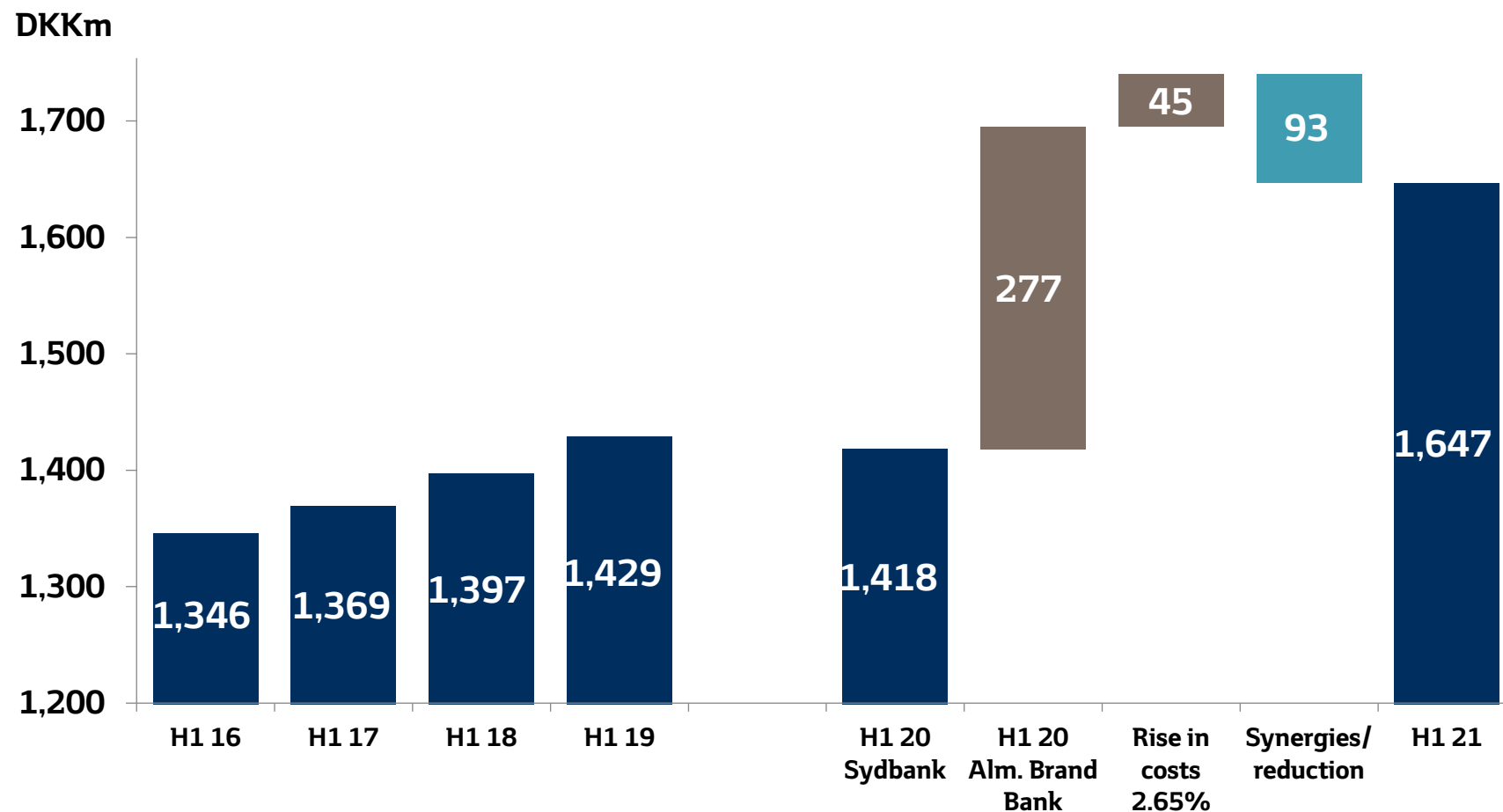
DKKm



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Costs (core earnings)

Synergies/reduction of DKK 93m in H1 2021



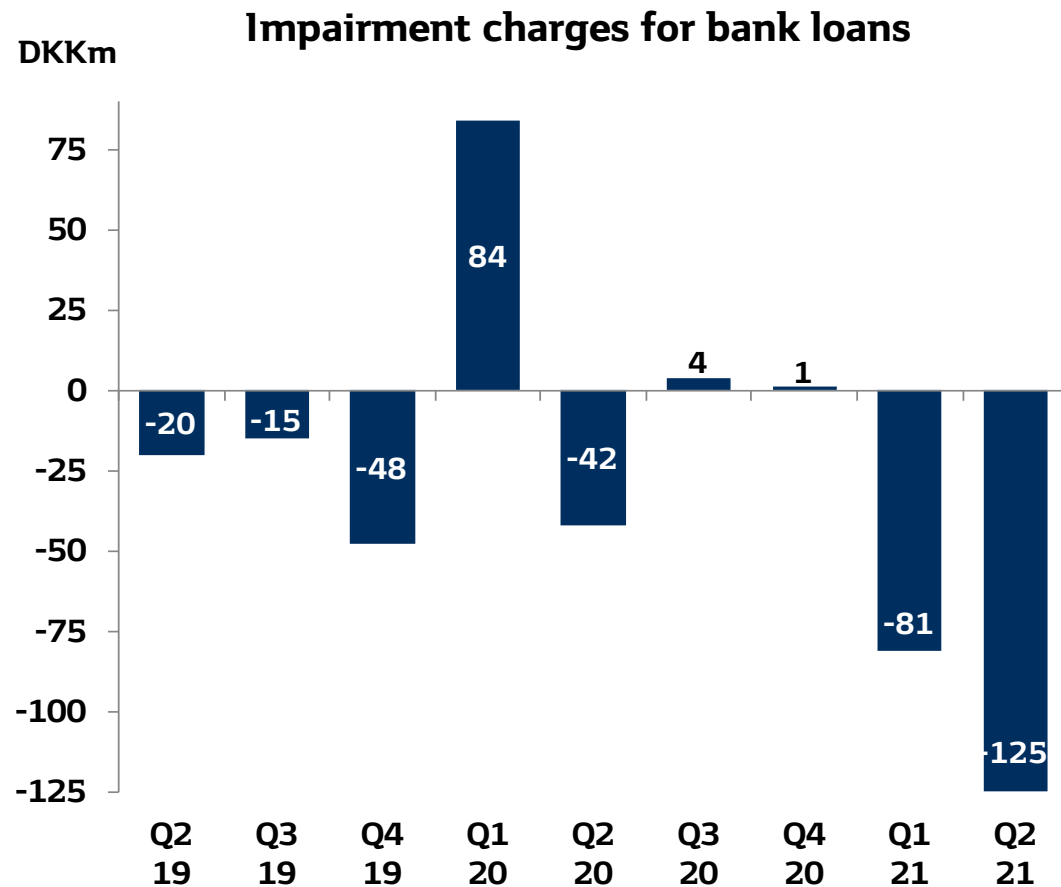
Key points

- Number of staff has dropped from 2,286 at year-end 2020 to 2,126 at end-Q2 2021
- Synergies/reduction of DKK 93m in H1 2021.

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Impairment charges

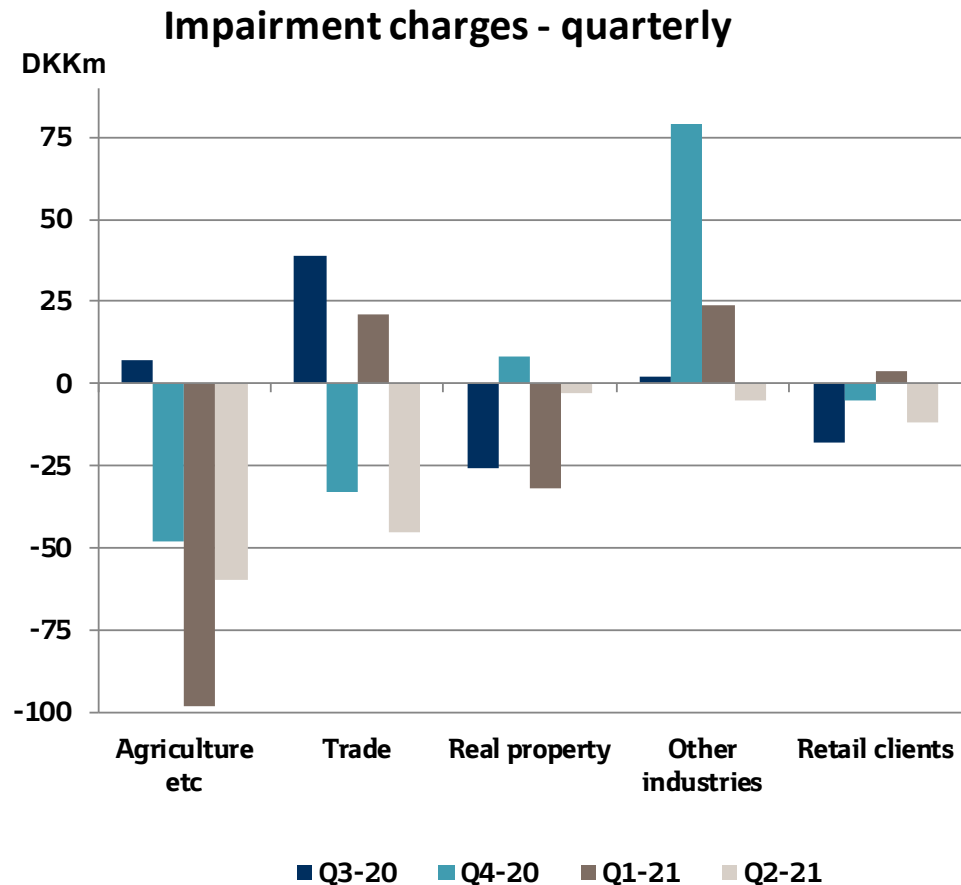
An income of DKK 125m in Q2 2021



- Unsecured loans in the weakest rating categories without objective evidence of credit impairment represent DKK 522m (excluding agriculture). The impairment charges include a management estimate of DKK 125m to hedge the risk of these loans, equal to 24%.
- Furthermore the impairment charges include a management estimate of DKK 200m to cover unforeseen events as regards the remaining part of the lending portfolio, the credit risk of which is satisfactory or normal.
- Management estimates as a result of covid-19 represent DKK 325m (Q1 2021: DKK 325m).

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Impairment charges – by industry



Key points Q2 2021

- Impairment charges as regards corporate exposures represent an income of DKK 113m, of which an income of DKK 54m concerns mink farming
- Impairment charges as regards retail exposures represent an income of DKK 12 m.

Key points H1 2021

- Impairment charges as regards corporate exposures represent an income of DKK 198m, of which an income of DKK 103m concerns mink farming
- Impairment charges as regards retail exposure represent an income of DKK 8m.

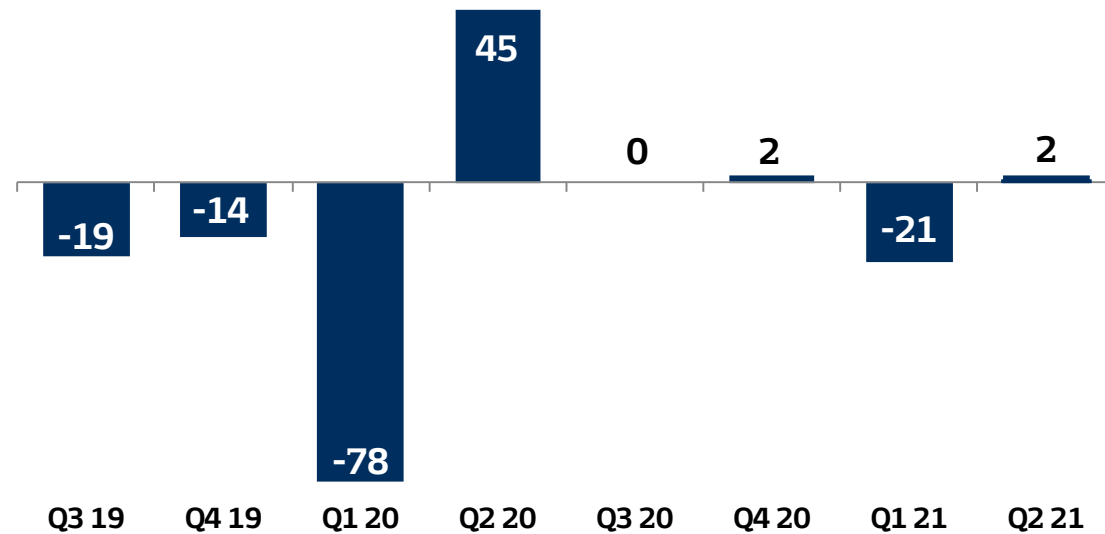
Quarterly impairment charges

DKK m	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21
Agriculture etc	-128	-50	7	-48	-98	-60
Trade	125	0	39	-33	21	-45
Real property	-11	-6	-26	8	-32	-3
Other industries	110	57	2	79	24	-5
Total corporate lending	96	1	22	6	-85	-113
Retail clients	-12	-43	-18	-5	4	-12
Total	84	-42	4	1	-81	-125

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Investment portfolio earnings

Investment portfolio earnings – DKKm



- Investment portfolio earnings constituted DKK 2m in Q2 2021 compared with negative earnings of DKK 21m in Q1 2021.
- Investment portfolio earnings in Q2 2021 are favourably affected by a marginal narrowing of the credit spread and negatively affected by a marginal interest rate increase.
- The portfolio has been composed with the aim of making investment portfolio earnings neutral to interest rate changes.

DKKm	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21
Position-taking	-48	48	16	9	-9	0
Liquidity generation and reserves	-26	0	-14	-10	-11	-1
Strategic positions	-2	-1	-1	5	1	5
Costs	-2	-2	-1	-2	-2	-2
Total	-78	45	0	2	-21	2

Income statement

– ROE of 10.4% in H1 2021

DKKm	H1 2021	H1 2020	Index	Q2 2021	Q1 2021	Index
Core income	2,193	1,829	120	1,088	1,105	98
Trading income	141	116	122	68	73	93
Total income	2,334	1,945	120	1,156	1,178	98
Costs, core earnings	1,647	1,418	116	814	833	98
Core earnings before impairment	687	527	130	342	345	99
Impairment of loans and advances etc	-206	42	-	-125	-81	-
Core earnings	893	485	184	467	426	110
Investment portfolio earnings	-19	-33	58	2	-21	-
Profit before non-recurring items	874	452	193	469	405	116
Non-recurring items, net	-49	-37	132	-17	-32	53
Profit before tax	825	415	199	452	373	121
Tax	180	91	198	98	82	120
Profit for the period	645	324	199	354	291	121
Costs (core earnings) / total income, C/I	0.71	0.73		0.70	0.71	
Return on equity, ROE full-year basis	10.4	5.4		11.4	9.5	
Earnings per share, EPS	10.4	5.1		5.8	4.7	

Key points H1 2021 vs H1 2020

- Core income up by 20%
- Total income up by 20%
- Costs (core earnings) up by 16% due to acquisition of Alm. Brand Bank
- Impairment charges – an income of DKK 206m
- Core earnings up by DKK 408m.

Key points Q2 2021 vs Q1 2021

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

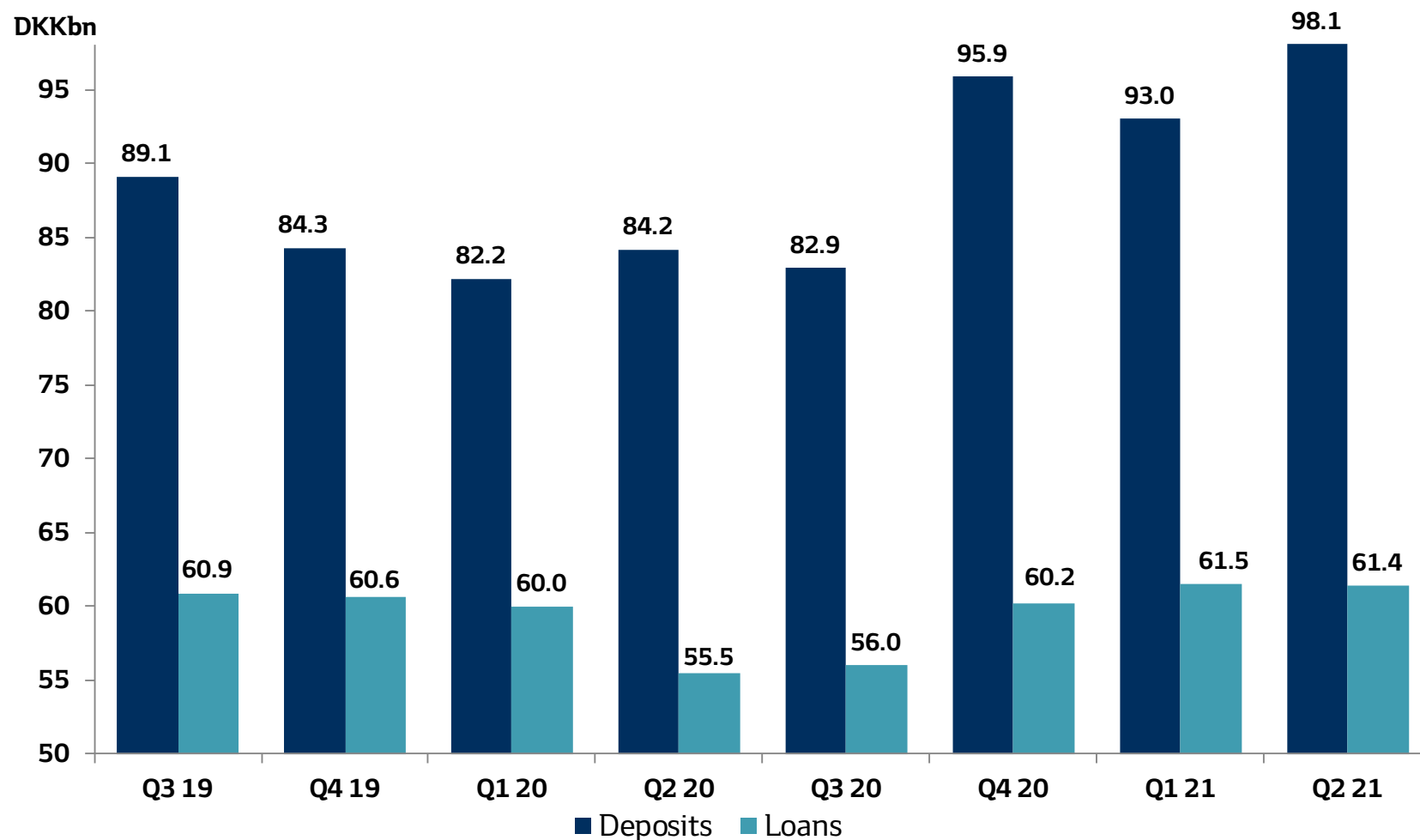
Non-recurring items, H1 2021

- Costs of DKK 49m related to the integration of Alm. Brand Bank of DKK 30m and costs related to “A stronger bank” of DKK 19m.

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Loans/advances and deposits

Deposits up by DKK 5.1bn in Q2 2021

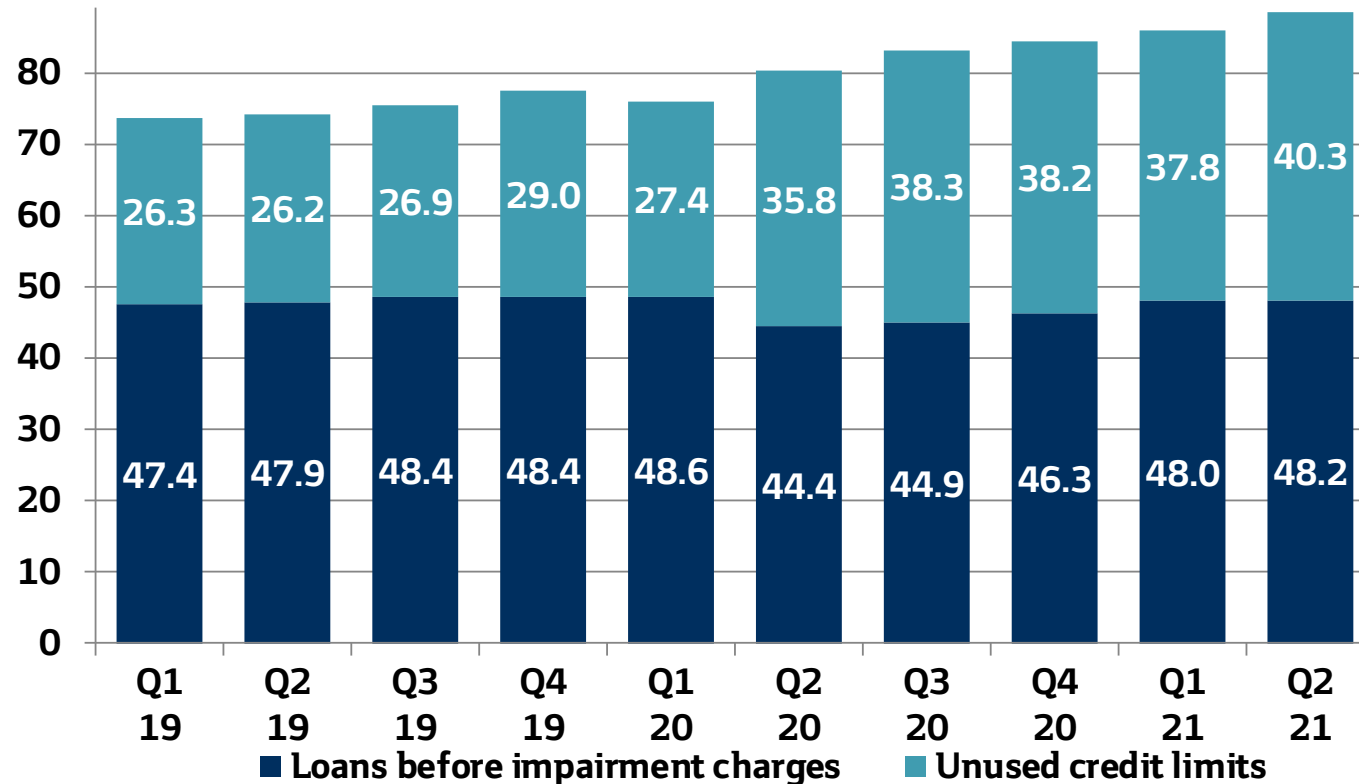


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Credit facilities to corporate clients

Increase for 5 consecutive quarters

DKKbn



Key points Q2 2021 vs Q1 2020

- Corporate clients' drawings under credit facilities have been affected for instance by lower willingness to invest as well as the government's relief packages, which include deferral of VAT and tax payments
- Lending to corporate clients rose by DKK 0.2bn in Q2 2021
- As a result of the uncertainty in connection with covid-19, many corporate clients have increased their cash resources, which the Bank has accommodated.

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Rise in corporate lending

DKKbn	Q2 21	Q1 21	Q4 20	Q3 20	Q2 20
Manufacturing and extraction of raw materials	8,515	8,761	8,460	8,239	8,405
Energy supply etc	2,330	2,328	2,675	2,410	2,512
Building and construction	3,823	3,784	3,541	3,306	3,287
Trade	11,581	12,140	10,575	10,215	10,114
Transportation, hotels and restaurants	2,892	2,813	2,682	2,666	2,742
Information and communication	650	605	629	602	505
Finance and insurance	5,580	5,418	5,176	5,721	5,374
Other industries	3,488	3,359	3,253	2,934	2,985
Total core corporate	38,859	39,208	36,991	36,093	35,924
Agriculture, hunting, forestry and fisheries	2,636	2,647	2,677	2,861	2,728
Real property	5,286	4,613	5,054	4,337	4,085
Total corporate	46,781	46,468	44,722	43,291	42,737
Change in Q1 2021 - core corporate	-349				
Change in Q1 2021 - other corporate	662				
Change in Q1 2021 - total corporate	313				

Key points Q2 2021

- Core corporate down by DKK 0.3bn
- Total corporate up by DKK 0.3bn.

Key points H1 2021

- Core corporate up by DKK 1.9bn
- Total corporate up by DKK 2.0bn.

Total credit intermediation rising

Total credit intermediation

DKKbn	Q4 2019	Q4 2020	Q1 2021	Q2 2021	Change Q2
Bank loans - retail	13.5	15.5	15.0	14.5	-0.5
Bank loans - corporate	46.8	44.7	46.5	46.8	0.3
Bank loans - public authorities	0.3	0.0	0.0	0.1	0.1
Bank loans - total	60.6	60.2	61.5	61.4	-0.1
Funded mortgage-like loans	8.3	7.0	6.5	6.2	-0.3
Bank loans and funded mortgage-like loans	68.9	67.2	68.0	67.6	-0.4
Arranged mortgage loans - Totalkredit	64.7	85.7	87.2	88.2	1.0
Arranged mortgage loans - DLR	11.4	12.7	12.9	13.1	0.2
Total	145.1	165.6	168.1	168.9	0.8

Key points Q2 2021

- Total credit intermediation rose by DKK 0.8bn in Q2 2021
- Total credit intermediation to retail clients – by way of bank loans and advances, funded mortgage-like loans and arranged mortgage loans – rose by DKK 0.2bn in Q2 2021
- Total credit intermediation to corporate clients, including DLR, up by DKK 0.6bn in Q2 2021.

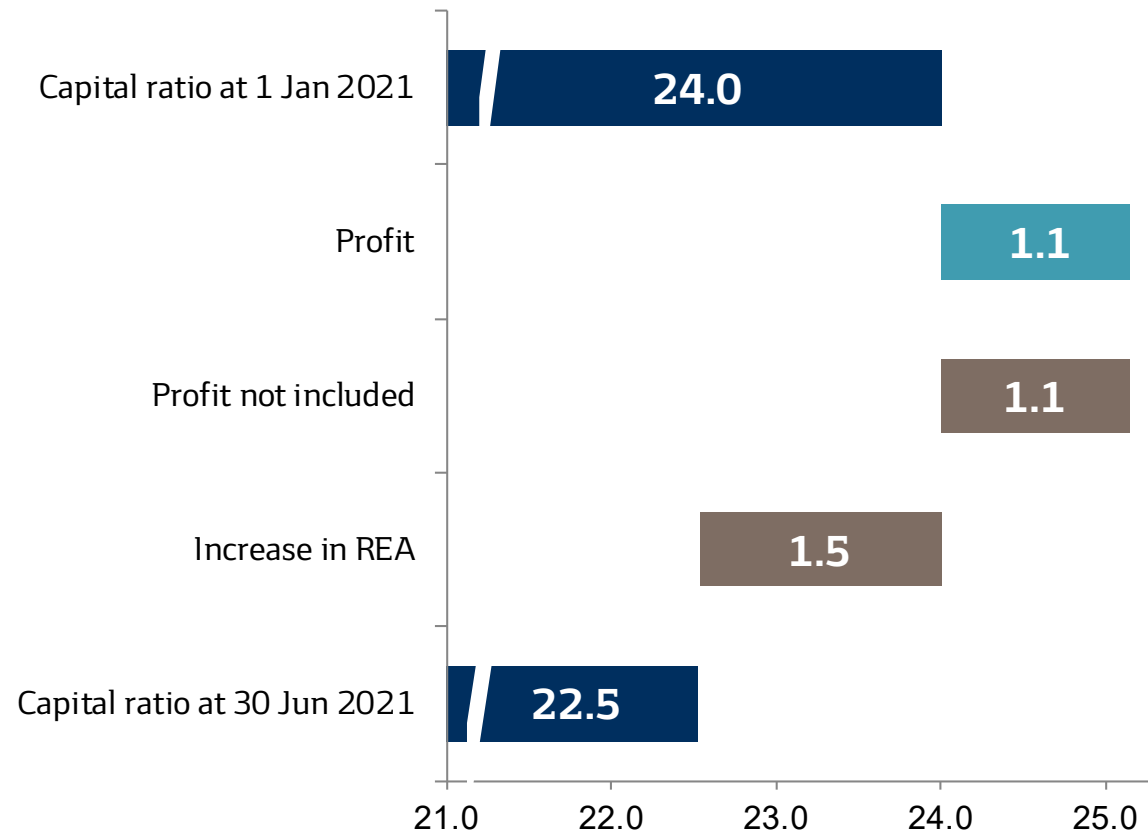
Capital ratio down by 0.5% in Q2 2021

DKKm	Q4 2019	Q4 2020	Q1 2021	Q2 2021
Credit risk	35,747	33,355	37,501	38,156
Market risk	6,177	6,675	5,975	6,538
Operational risk	7,171	6,708	6,708	6,708
Other exposures incl CVA	6,065	7,302	6,315	6,397
Risk exposure amount	55,160	54,040	56,500	57,799
CET1	9,807	10,185	10,226	10,244
Tier 1	10,722	11,041	11,025	11,043
Total capital	12,620	12,952	12,985	13,003
CET1 ratio	17.8	18.8	18.1	17.7
Tier 1 ratio	19.4	20.4	19.5	19.1
Capital ratio	22.9	24.0	23.0	22.5
Individual solvency need	10.8	10.8	11.3	10.4

- The capital ratio dropped by 0.5 in Q2 2021 due to the rise in risk exposure amount concerning credit risk and market risk.
- Assuming use of the Group's future advanced risk models, the long-term effect on the risk exposure amount is expected to be significantly smaller.

DKKm	Q4 2019	Q4 2020	Q1 2021	Q2 2021
Corporate, IRB	26,353	21,811	25,839	26,023
Retail, IRB	7,425	5,798	5,815	5,817
Corporate, STD	262	460	670	1,422
Retail, STD	903	4,559	3,980	3,545
Credit institutions etc	804	727	1,198	1,349
Total credit risk	35,747	33,355	37,501	38,156

Capital ratio in H1 2021



Key points H1 2021

- The capital ratio declined by 1.5 in H1 2021 due to an increase in the risk exposure amount, which is mainly attributable to the new definition of default as from 1 January 2021.

We undertake initiatives to strengthen:

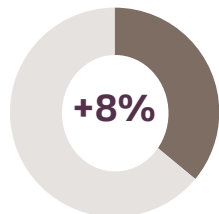
1

Sydbank's position

Significant increase in awareness

Many positive responses to the campaign

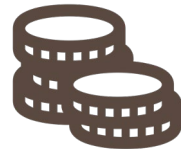
The next stage of the campaign in H2 2021 will focus on value creation and specific benefits



2

Earnings

We adjust the interest rate of corporate clients' deposit accounts from minus 0.75% to minus 0.95%



3

Our customer focus

Broadened Group Executive Management reporting as regards customer-facing areas

Retail Clients & Private Banking split into 2 divisions



4

Our engine room

Digitization and automation of tasks accelerated further via new case handling process

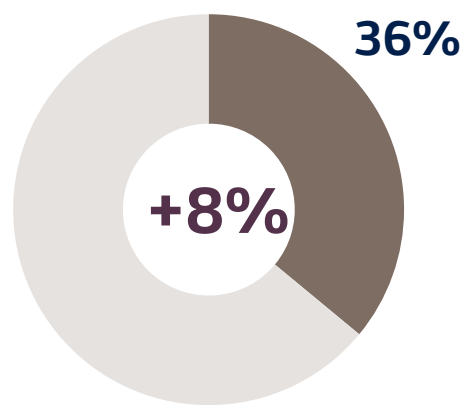


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1. Sydbank's position

Our position is stronger and positive customer response is positive

Increased awareness



- Significant increase in unaided awareness among business community's decision makers
- Greatest increase among peers
- Increase due to advertising and media efforts of the campaign: Denmark's corporate bank

Impact on operations

Kolding: One of our very recent customers has praised the campaign and our statements.

Viborg: A nationwide retail chain contacted us in May looking to switch one of their banks. Sydbank was approached on the basis of the advertising campaign.

Vejle: In an email a potential customer specifically cites the campaign for contacting Sydbank.

Copenhagen: An existing corporate client has asked if Sydbank is prepared to increase its lending and refers to a newspaper article and its message. If so he has a few ideas.

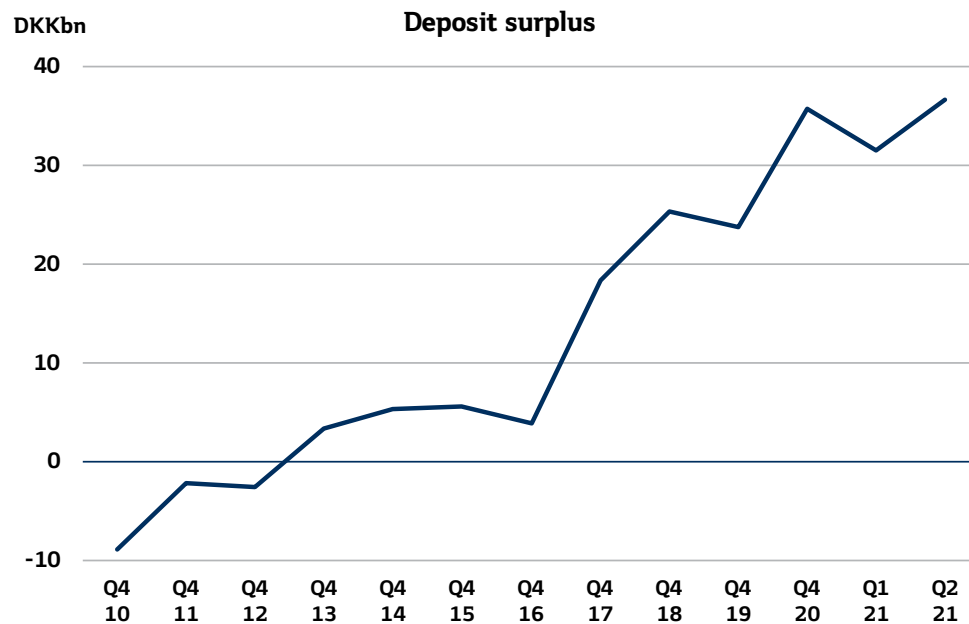
Karen Frøsig plans to force Nordea a step further down the podium: "I believe that our basis is very good"
SME to borrow more from Sydbank. The bank strives to be second largest in the segment.
Source: Børsen – financial daily

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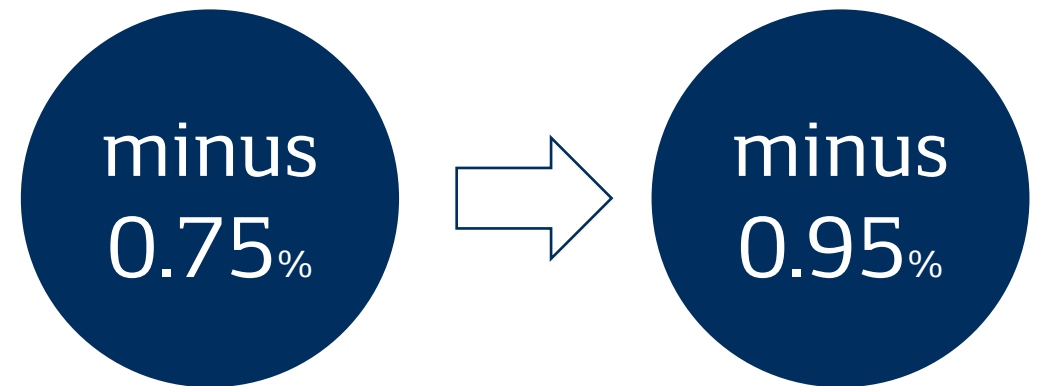
2. Our earnings

Adjusted terms and conditions of corporate deposits

Sydbank's deposit surplus hits new highs ...



... we adjust the interest rate of corporate clients' deposit accounts



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3. Our customer focus

Sydbank's 13 regions report to 2 Deputy Group Chief Executives in future

Reports to Henning Dam
Deputy Group Chief Executive

Reports to Jørn Adam Møller
Deputy Group Chief Executive

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3. Our customer focus

One central division for each customer segment



Private Banking

- New strategic and distinct position
- Segmentation and product offers
- Greater profitability.

Retail Clients

- More clearly defined direction
- Rethink our customer programme
- Advice and closeness
- Greater number of full customer relationships.

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4. Our engine room

We simplify processes for Sydbank's advisers



Portal concerning handling of retail client cases – first time right

- Faster case handling, improved quality
- Simpler and faster case processing = time saved
- More cost efficient for Sydbank.

Example 1: SEPA fee is deleted/changed on average ~4 minutes after receipt of task (previously processing time of up to 3 days).

Example 2: Yield account of custody account is changed on average ~2 minutes after receipt of task (previously processing time of up to 3 days).

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Outlook for 2021

- **Growth is projected in the Danish economy** in 2021 and is expected to exceed the negative growth in 2020.
- **Total income is expected to rise sharply** as a result of the acquisition of Alm. Brand Bank and measures implemented as regards deposits and fees.
- **Costs (core earnings) are projected to increase** as a result of the acquisition of Alm. Brand Bank.
- **Impairment charges for 2021 are forecast to represent a net reversal in the region of DKK 250m.**
- **Non-recurring costs are expected to be in the range of DKK 100-150m.** The item consists of costs related to “A stronger bank”, costs to establish a bank/insurance partnership as well as costs related to the integration of Alm. Brand Bank.
- **Profit after tax is expected to be in the range of DKK 1,150-1,350m.**
- The outlook is subject to uncertainty and depends among other things on financial market developments and macroeconomic factors.

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.