



Interim Report 9M 2021

Impressive growth in lending and strong earnings

Highlights 9M 2021

Impressive growth in lending and strong earnings

Profit

Profit of DKK 1,013m – **ROE of 10.7%** p.a. after tax

Core income

Core income of DKK 3,280m in 9M 2021 – **up by 21%** compared with 9M 2020
10% of increase is attributable to Alm. Brand Bank

Total income

Total income of DKK 3,468m in 9M 2021 – **up by 19%** compared with 9M 2020

Costs

Costs in 9M 2021 up by 17% due to Alm. Brand Bank compared with 9M 2020
Synergies/reduction of DKK 119m in 9M 2021

Impairment charges

Impairment charges represented an **income of DKK 311m** in 9M 2021 – of which
DKK 105m in Q3 2021

Bank loans

DKK 2.9bn increase in bank loans and total credit intermediation up by DKK 3.7bn in Q3 2021

CET1 ratio

CET1 ratio of 16.8% - down by 0.9% in Q3 2021

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Core income – level remains high

DKKm	9M 2021	9M 2020	Index	Q3 2021	Q2 2021	Index
Net interest income etc	1,306	1,104	118	441	431	102
Mortgage credit	522	445	117	174	172	101
Payment services	151	111	136	54	50	108
Remortgaging and loan fees	129	128	101	35	41	85
Commission and brokerage	338	271	125	97	107	91
Commission etc investment funds and pooled pension plans	255	209	122	84	88	95
Asset management	279	210	133	94	96	98
Custody account fees	77	58	133	28	24	117
Other operating income	223	175	127	80	79	101
Total	3,280	2,711	121	1,087	1,088	100

Key points 9M 2021 vs 9M 2020

- Net interest income etc up by 18%
- Mortgage credit up by 17%
- Commission and brokerage up by 25% due to significant trading activity in 2021
- Other items, in total up by 25%.

Key points Q3 2021 vs Q2 2021

- Net interest income etc up by 2%
- Mortgage credit up by 1%
- Commission and brokerage down by 9%
- Other items, in total down by 1%.

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Net interest income etc

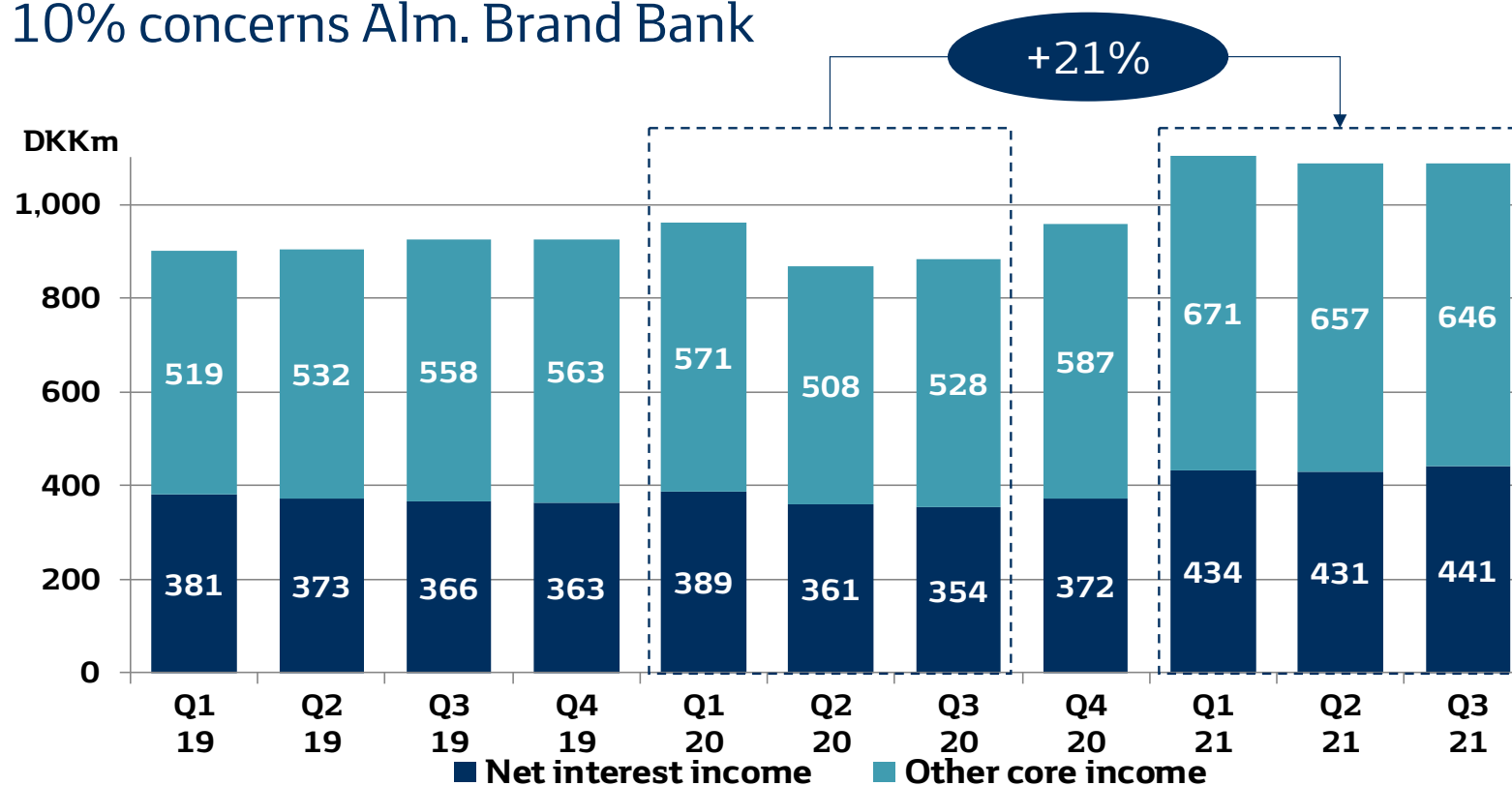
Development from Q2 2021 to Q3 2021



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Core income - up by 21%

10% concerns Alm. Brand Bank

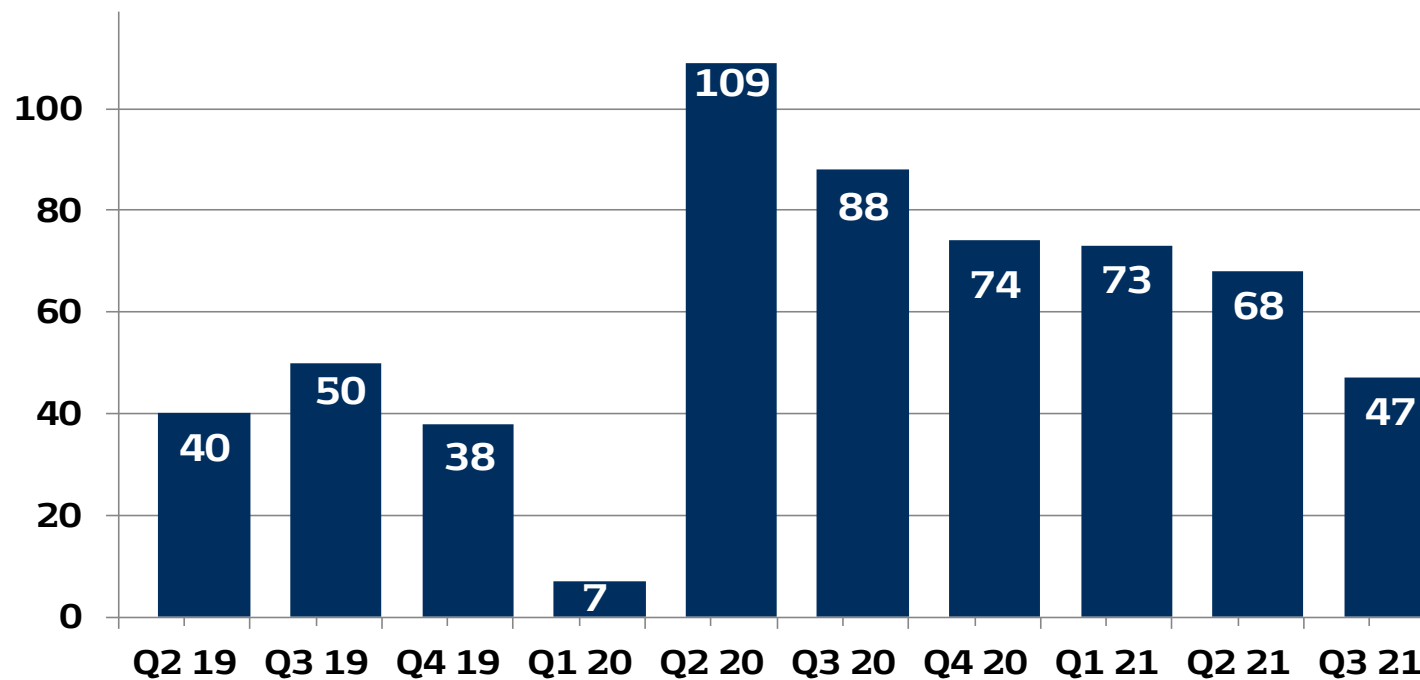


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Trading income

– an acceptable level

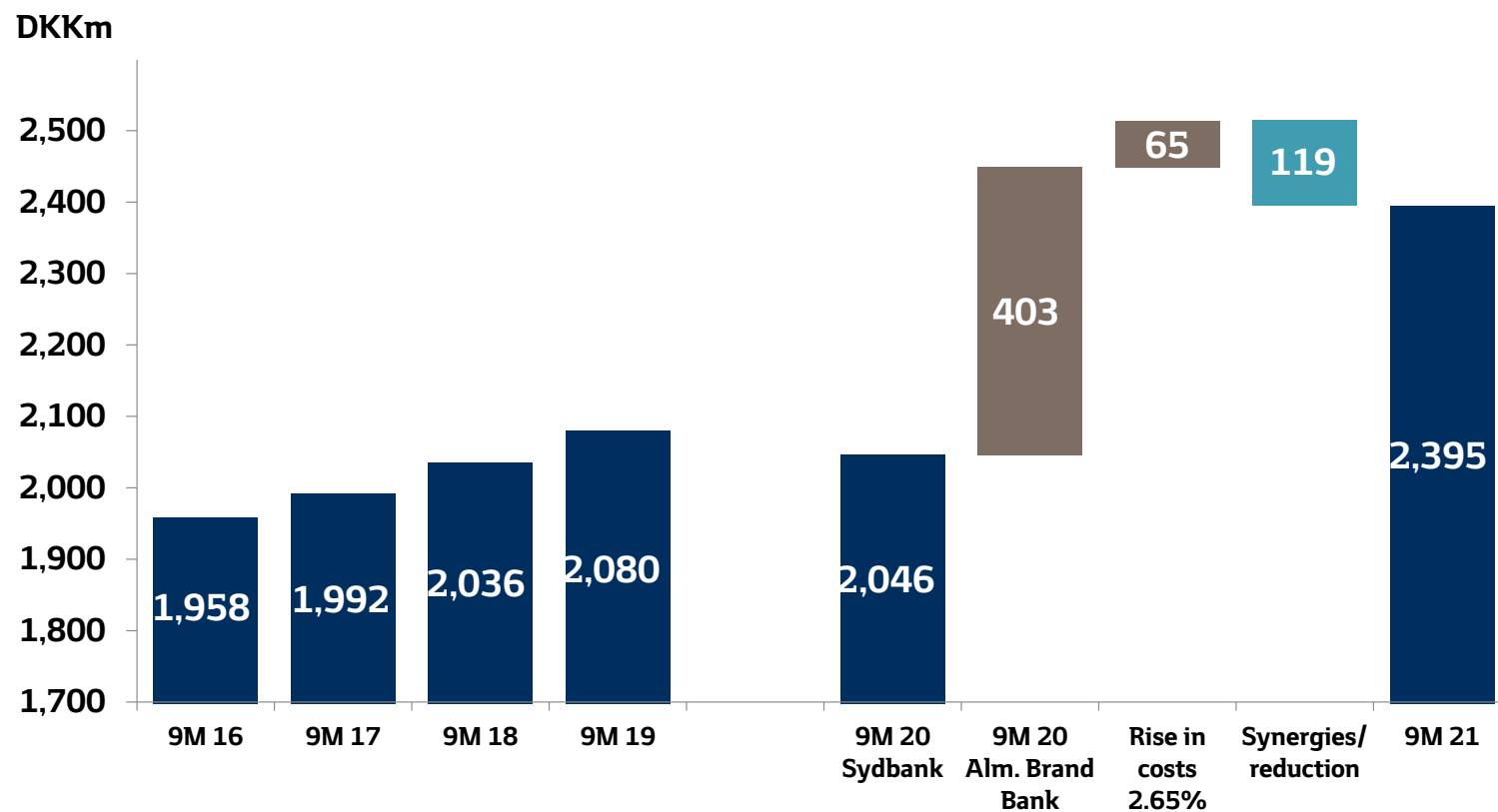
DKKm



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Costs (core earnings)

Synergies/reduction of DKK 119m in 9M 2021



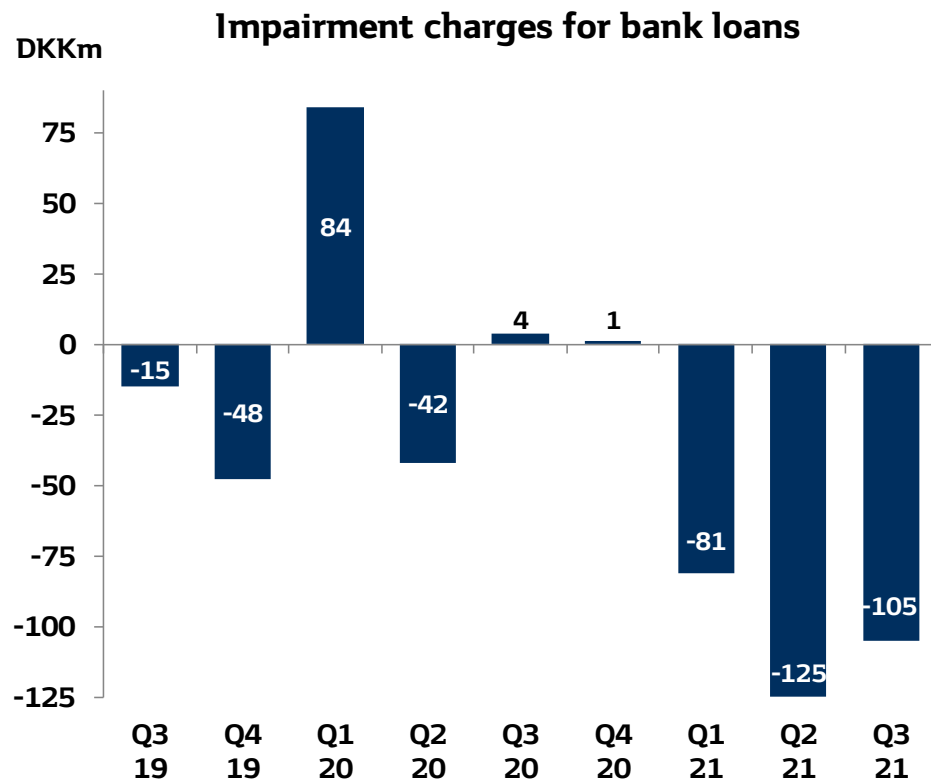
Key points

- Number of staff has dropped from 2,286 at year-end 2020 to 2,109 at end-Q3 2021
- Synergies/reduction of DKK 119m in 9M 2021.

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Impairment charges

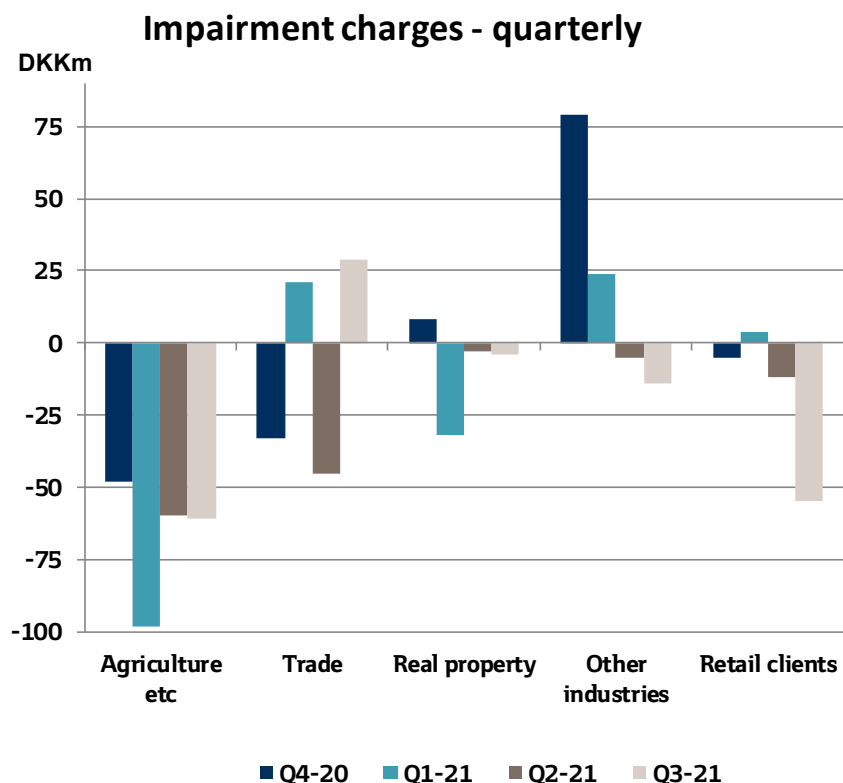
Reversal of DKK 105m in Q3 2021



- Unsecured loans in the weakest rating categories without objective evidence of credit impairment represent DKK 494m (excluding agriculture). The impairment charges include a management estimate of DKK 125m to hedge the risk of these loans, equal to 25%.
- 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 (Q2 2021: DKK 325m).

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Impairment charges – by industry



Key points Q3 2021

- Impairment charges as regards corporate exposures represent an income of DKK 50m, of which an income of DKK 2m concerns mink farming
- Impairment charges as regards retail exposures represent an income of DKK 55m.

Key points 9M 2021

- Impairment charges as regards corporate exposures represent an income of DKK 248m, of which an income of DKK 105m concerns mink farming
- Impairment charges as regards retail exposures represent an income of DKK 63m.

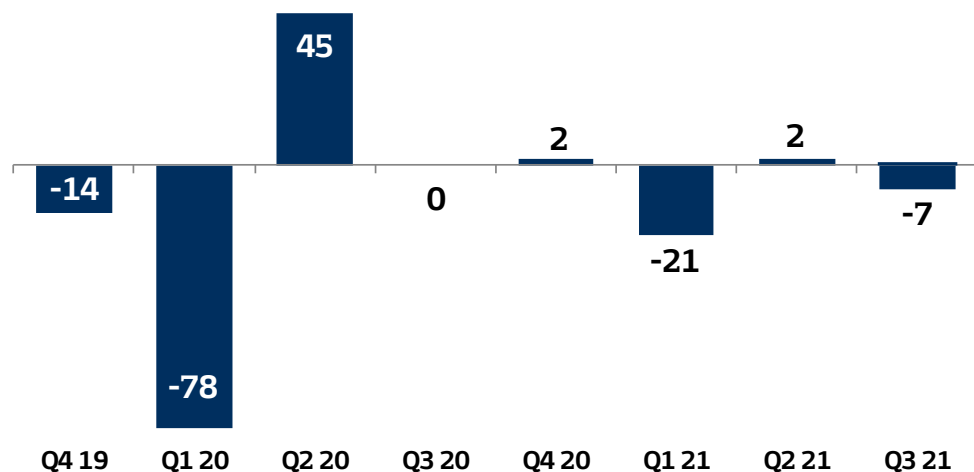
Quarterly impairment charges

DKKm	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21
Agriculture etc	-50	7	-48	-98	-60	-61
Trade	0	39	-33	21	-45	29
Real property	-6	-26	8	-32	-3	-4
Other industries	57	2	79	24	-5	-14
Total corporate lending	1	22	6	-85	-113	-50
Retail clients	-43	-18	-5	4	-12	-55
Total	-42	4	1	-81	-125	-105

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Investment portfolio earnings

Investment portfolio earnings – DKKm



- Investment portfolio earnings constituted minus DKK 7m in Q3 2021 compared with earnings of DKK 2m in Q2 2021.
- Investment portfolio earnings in Q3 2021 are negatively affected by widening credit spreads.
- The portfolio has been composed with the aim of making investment portfolio earnings neutral to interest rate changes.

DKKm	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21
Position-taking	48	16	9	-9	0	-4
Liquidity generation and reserves	0	-14	-10	-11	-1	0
Strategic positions	-1	-1	5	1	5	-2
Costs	-2	-1	-2	-2	-2	-1
Total	45	0	2	-21	2	-7

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Income statement

– ROE of 10.7% in 9M 2021

DKKm	9M 2021	9M 2020	Index	Q3 2021	Q2 2021	Index
Core income	3,280	2,711	121	1,087	1,088	100
Trading income	188	204	92	47	68	69
Total income	3,468	2,915	119	1,134	1,156	98
Costs, core earnings	2,395	2,046	117	748	814	92
Core earnings before impairment	1,073	869	123	386	342	113
Impairment of loans and advances etc	-311	46	-	-105	-125	-
Core earnings	1,384	823	168	491	467	105
Investment portfolio earnings	-26	-33	79	-7	2	-
Profit before non-recurring items	1,358	790	172	484	469	103
Non-recurring items, net	-76	-55	138	-27	-17	159
Profit before tax	1,282	735	174	457	452	101
Tax	269	162	166	89	98	91
Profit for the period	1,013	573	177	368	354	104
Costs (core earnings) / total income, C/I	0.69	0.70		0.66	0.70	
Return on equity, ROE full-year basis	10.7	6.4		11.7	11.4	
Earnings per share, EPS	16.4	9.1		6.0	5.8	

Key points 9M 2021 vs 9M 2020

- Core income up by 21%
- Total income up by 19%
- Costs (core earnings) up by 17% due to acquisition of Alm. Brand Bank
- Impairment charges – an income of DKK 311m
- Core earnings up by DKK 561m.

Key points Q3 2021 vs Q2 2021

- Core income on same level
- Total income down by 2%
- Costs (core earnings) down by 8% due to seasonal fluctuations.

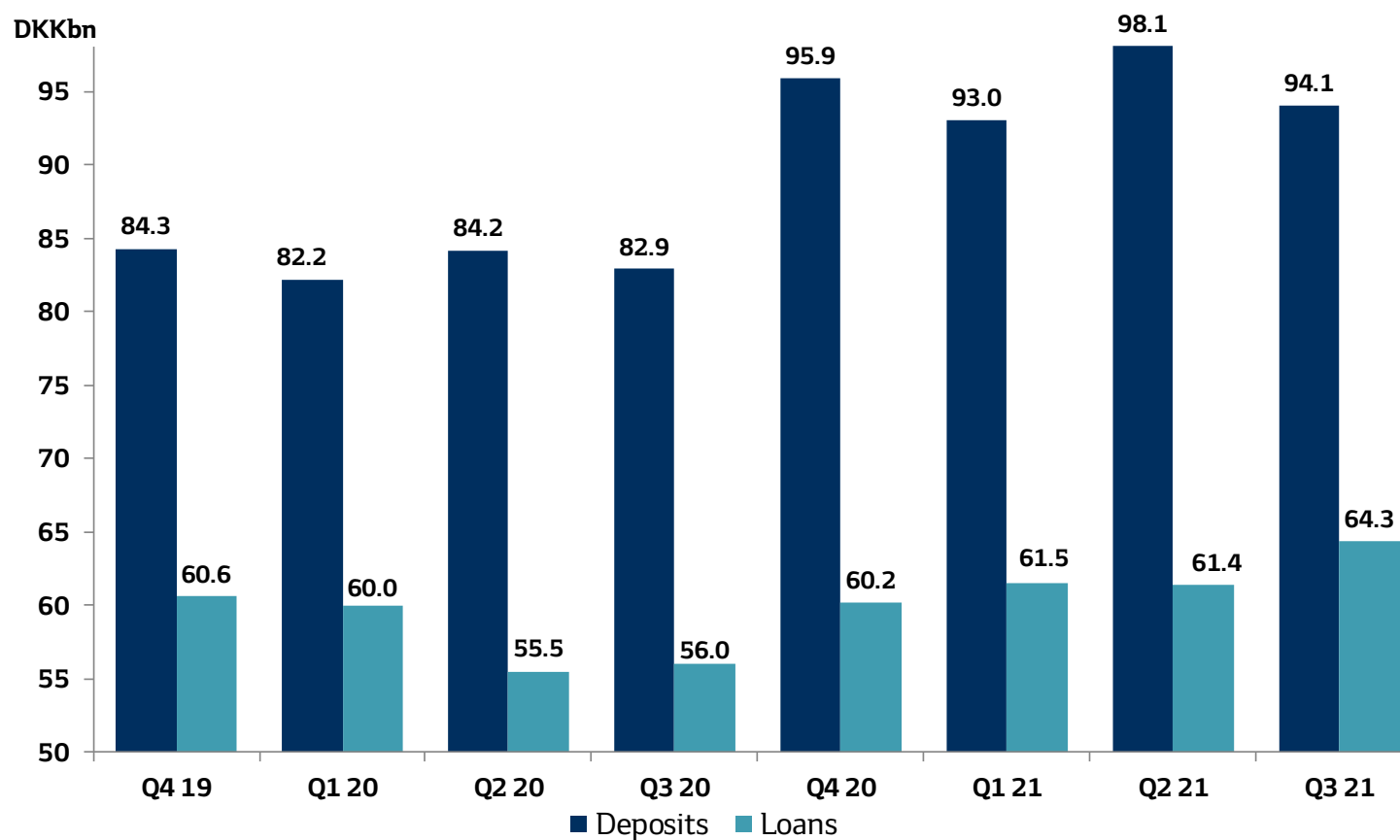
Non-recurring items, 9M 2021

- Costs of DKK 46m related to the integration of Alm. Brand Bank and costs of DKK 30m related to “A stronger bank”.

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Loans/advances and deposits

Bank loans up 2.9bn and deposits down by DKK 4.0bn in Q3 2021

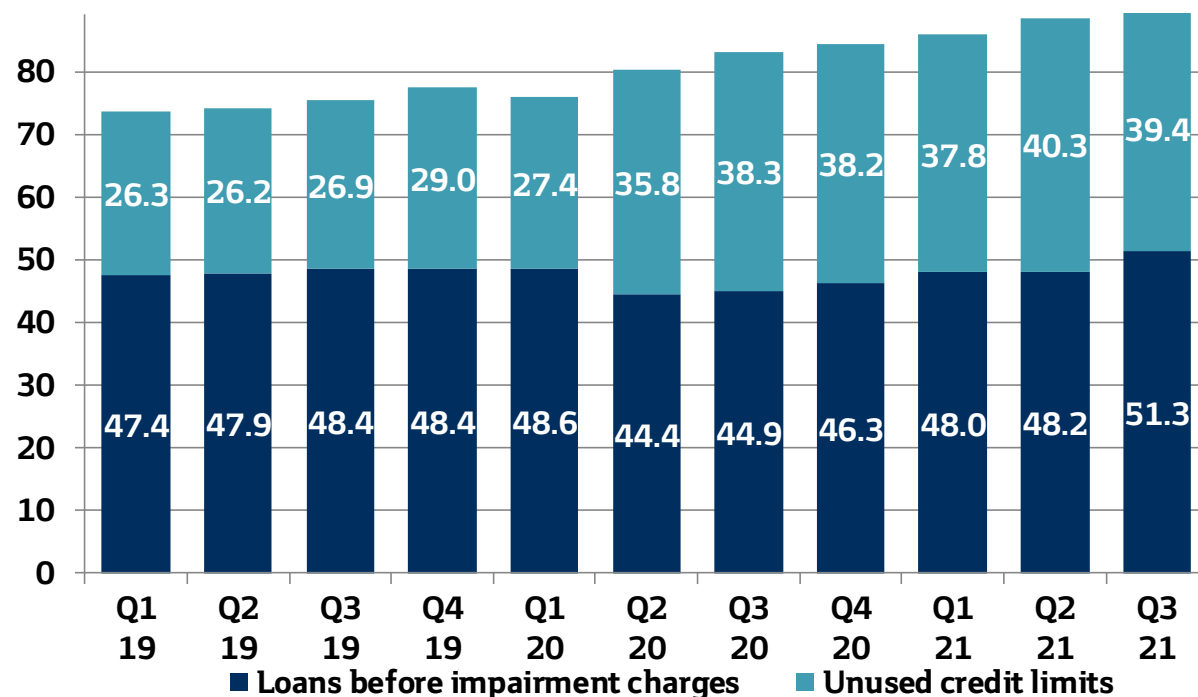


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Credit facilities to corporate clients

Increase – 6 consecutive quarters

DKKbn



Key points Q3 2021 vs Q2 2020

- Lending to corporate clients before impairment charges rose by DKK 3.2bn in Q3 2021
- Corporate clients' drawings under credit facilities have been affected for instance by the government's relief packages, which include deferral of VAT and tax payments
- 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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Significant rise in corporate lending

DKKbn	Q3 21	Q2 21	Q1 21	Q4 20	Q3 20
Manufacturing and extraction of raw materials	8,798	8,515	8,761	8,460	8,239
Energy supply etc	2,382	2,330	2,328	2,675	2,410
Building and construction	4,125	3,823	3,784	3,541	3,306
Trade	13,853	11,581	12,140	10,575	10,215
Transportation, hotels and restaurants	3,081	2,892	2,813	2,682	2,666
Information and communication	422	650	605	629	602
Finance and insurance	5,748	5,580	5,418	5,176	5,721
Other industries	3,420	3,488	3,359	3,253	2,934
Total core corporate	41,829	38,859	39,208	36,991	36,093
Agriculture, hunting, forestry and fisheries	2,887	2,636	2,647	2,677	2,861
Real property	5,222	5,286	4,613	5,054	4,337
Total corporate	49,938	46,781	46,468	44,722	43,291
Change in Q3 2021 - core corporate	2,970				
Change in Q3 2021 - other corporate	187				
Change in Q3 2021 - total corporate	3,157				

Key points Q3 2021

- Core corporate up by DKK 3.0bn
- Total corporate up by DKK 3.2bn.

Key points 9M 2021

- Core corporate up by DKK 4.8bn
- Total corporate up by DKK 5.2bn.

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Total credit intermediation continues to rise

Total credit intermediation

DKKbn	Q4 2019	Q4 2020	Q2 2021	Q3 2021	Change Q3
Bank loans - retail	13.5	15.2	14.5	14.2	-0.3
Bank loans - corporate	46.8	44.7	46.8	50.0	3.2
Bank loans - public authorities	0.3	0.3	0.1	0.1	0.0
Bank loans - total	60.6	60.2	61.4	64.3	2.9
Funded mortgage-like loans	8.3	7.0	6.2	5.9	-0.3
Bank loans and funded mortgage-like loans	68.9	67.2	67.6	70.2	2.6
Arranged mortgage loans - Totalkredit	64.7	85.7	88.2	89.0	0.8
Arranged mortgage loans - DLR	11.4	12.7	13.1	13.4	0.3
Total	145.1	165.6	169.0	172.6	3.7

Key points Q3 2021

- Total credit intermediation rose by DKK 3.7bn in Q3 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 Q3 2021
- Total credit intermediation to corporate clients, including DLR, rose by DKK 3.5bn in Q3 2021.

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Capital ratio down by 1.0% in Q3 2021

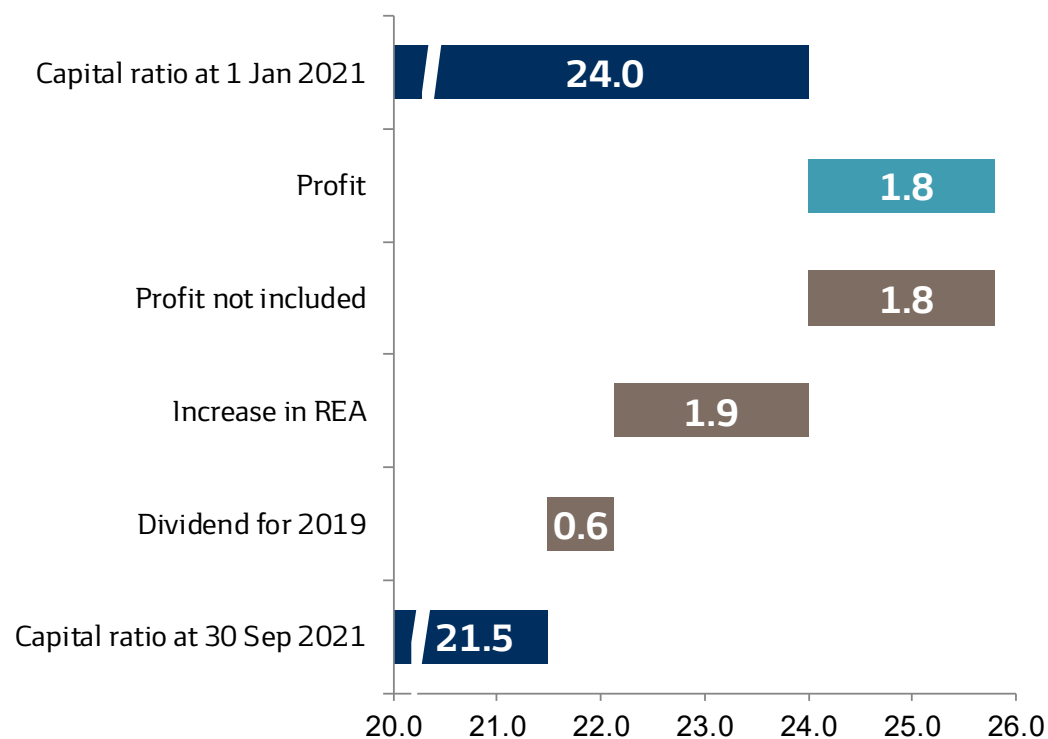
DKKm	Q4 2019	Q4 2020	Q2 2021	Q3 2021
Credit risk	35,747	33,355	38,156	39,398
Market risk	6,177	6,675	6,538	6,399
Operational risk	7,171	6,708	6,708	6,708
Other exposures incl CVA	6,065	7,302	6,397	6,114
Risk exposure amount	55,160	54,040	57,799	58,619
CET1	9,807	10,185	10,244	9,838
Tier 1	10,722	11,041	11,043	10,638
Total capital	12,620	12,952	13,003	12,609
CET1 ratio	17.8	18.8	17.7	16.8
Tier 1 ratio	19.4	20.4	19.1	18.1
Capital ratio	22.9	24.0	22.5	21.5
Individual solvency need	10.8	10.8	10.4	10.7

- The capital ratio dropped by 1.0pp in Q3 2021 due to the rise in the risk exposure amount concerning credit risk as well as dividend for 2019.
- 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	Q2 2021	Q3 2021
Corporate, IRB	26,353	21,811	26,023	28,137
Retail, IRB	7,425	5,798	5,817	5,598
Corporate, STD	262	460	1,422	433
Retail, STD	903	4,559	3,545	3,214
Credit institutions etc	804	727	1,349	2,016
Total credit risk	35,747	33,355	38,156	39,398

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Capital ratio in 9M 2021



Key points 9M 2021

- The capital ratio declined by 2.5pp in 9M 2021 primarily due to an increase in the risk exposure amount, which is mainly attributable to the new definition of default as from 1 January 2021 as well as dividend for 2019.

Outlook for 2021

- **Growth is projected in the Danish economy** in 2021.
- **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 400m.**
- **Non-recurring costs are expected to be in the range of DKK 100-125m.** 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 1,300-1,450m.**
- The outlook is subject to uncertainty and depends among other things on financial market developments and macroeconomic factors.

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Strategy 2022 - 2024

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Natural next step

... strengthening of "A stronger bank"

- Strong starting point
- Current projects
- Reaping the fruits and refining the quality
- Enhancement and strengthening
- Supplementary themes
- Maintaining management focus



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Sydbank's strategy: Growing our business

We will be **better known**, **make more money** and continue to **enhance the Bank's efficiency** ...



... which is why we are investing in increasing awareness of Sydbank ...



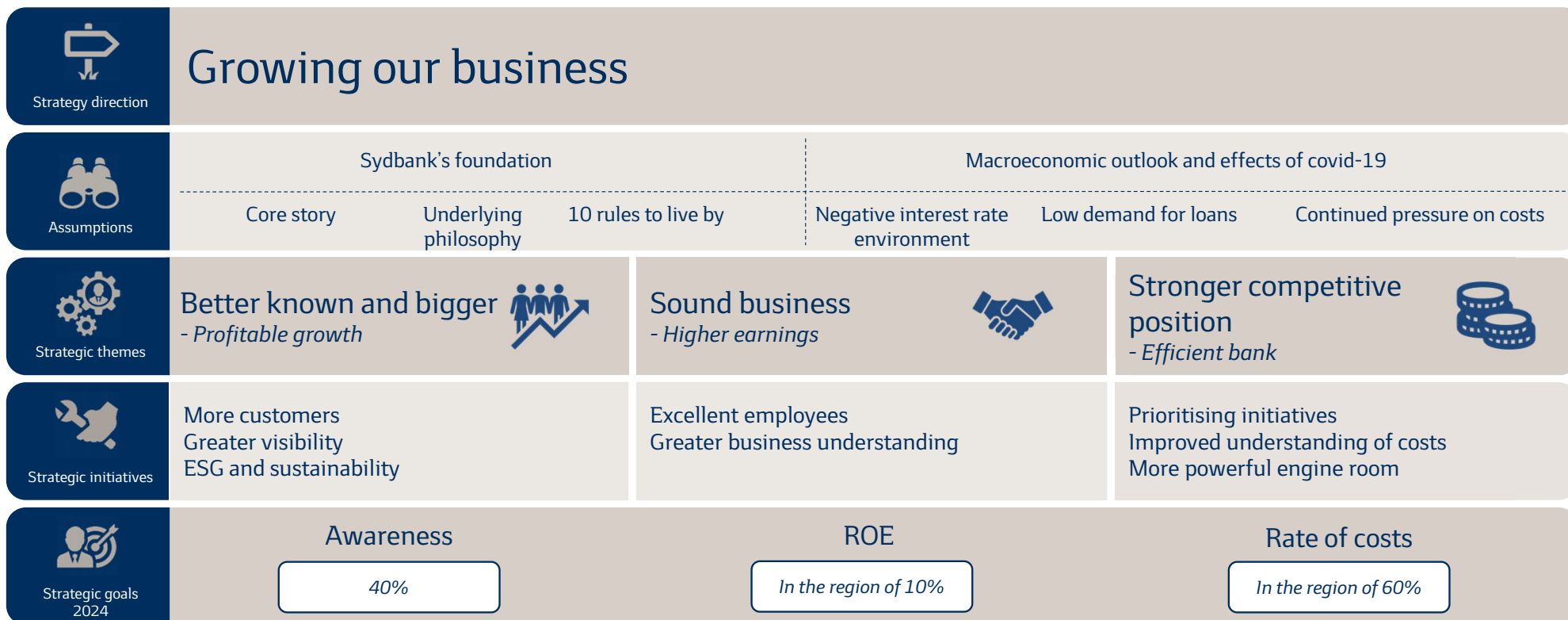
... to grow the business and boost earnings ...



... and strengthen the Bank's competitive position by means of a better balance between income and costs.

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Strategy map 2022-2024



Our strategic narrative



Better known and bigger – profitable growth

Sydbank has a good reputation – and needs to be **better known**. As part of Denmark's Corporate Bank we will increase the awareness of Sydbank **focusing on large towns and cities** in particular.

Our **growth** is **profitable** and organic and we are in **good shape for friendly takeovers**. And we will incorporate **ESG and sustainability** in the Bank's products and processes.



Sound business – higher earnings

At Sydbank focus is on banking and sound business. Our employees are **highly qualified, proactive and value-creating**. Our point of departure will be the principle of **quid pro quo** and we will **increase the Bank's earnings**.



Stronger competitive position – efficient bank

We will **prioritise** the Bank's efforts and **reduce costs**. We will **optimise** working procedures and processes to **reduce** time spent, **enhance** quality and **shorten** response times to customers. As a decent and responsible bank our constant focus is on compliance, including IT security.

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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.