

Press Release

Peberlyk 4
6200 Aabenraa, Denmark

Tel +45 74 37 37 37
Fax +45 74 37 35 36

Sydbank A/S
CVR No DK 12626509, Aabenraa
sydbank.dk

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Dear Sirs

EU-wide stress test 2021

The 2021 stress test was conducted by the European Banking Authority (EBA) in cooperation with national authorities, the ECB and the European Systemic Risk Board (ESRB). From Denmark the Danish FSA participated as the national authority.

The stress test seeks to assess the resilience of the European banking sector in case of a severe economic downturn with rising unemployment and falling property prices, eg caused by a fresh outbreak of the COVID-19 pandemic, including the challenge to the banks' capital resources.

The stress test was originally scheduled to be conducted in 2020 but was postponed due to COVID-19.

The EBA's EU-wide stress test covers 50 banks in 15 countries. Sydbank was not among these 50 banks but the Danish FSA has decided to conduct a similar stress test as regards Sydbank to obtain greater coverage of the Danish banking sector.

The stress test is based on the EBA's common methodology and guidelines as described in the EBA's Methodological Note. Neither the result of the baseline scenario nor the result of the adverse scenario can be construed as Sydbank's forecasts or be compared to other information published by Sydbank.

The stress test uses a baseline scenario and an adverse scenario that cover the period 2021-2023. The stress test was conducted on the assumption of a static balance sheet, which means that the stress test results do not take into account future business strategies as well as management actions.

The baseline scenario is based on estimates of the ESRB from December 2020.

The adverse scenario has been designed by the ESRB and reflects the systemic risks that are currently assessed as representing the most pertinent threats to the stability of the EU banking sector.

The assumptions and methodology were developed to assess banks' capital adequacy under the baseline scenario and the adverse scenario respectively.

Sydbank is pleased that the EU-wide stress test has been conducted and with the Group's individual results indicating:

- great resilience to adverse economic developments in the period 2021-2023
- no appreciable exposure to governments and banks in countries with increased risk
- a very robust capital structure.

The most significant capital ratios represent:

| Percentage of risk exposure amount (REA) | Common Equity Tier 1 capital | Total capital |
|--|------------------------------|---------------|
| Year-end 2020 | 18.8 | 24.0 |
| Baseline scenario, year-end 2023, fully loaded CRR/CRD IV | 20.5 | 25.6 |
| Adverse scenario, year-end 2023, fully loaded CRR/CRD IV | 12.8 | 17.2 |
| Capital requirement adverse scenario, year-end 2023, fully loaded CRR/CRD IV | 9.6 | 14.3 |
| Excess cover, year-end 2020 | 9.3 | 9.6 |
| Excess cover adverse scenario, year-end 2023, fully loaded CRR/CRD IV | 3.2 | 2.9 |

Under the adverse scenario the capital requirement has been calculated as the minimum requirement + Pillar II add-on (calculated at year-end 2020) + capital conservation buffer + SIFI buffer. 56% of the Pillar II add-on is included in the calculation of the CET1 capital requirement.

Detailed results

The detailed results of the stress test under the baseline and adverse scenarios as well as information on banks' credit exposures and exposures

to central and local governments are provided in the accompanying disclosure template based on the common format provided by the EBA.

Further information

See more details on the scenarios, assumptions and methodology on the EBA website:

[EU-wide stress testing | European Banking Authority \(europa.eu\)](https://www.europa.eu/eu-press/press-room/2014/14-10-23-stress-testing).

Yours sincerely

Sydbank

Sydbank contacts

Jørn Adam Møller, Deputy Group Chief Executive, tel +45 74 37 20 30

Appendix

Stress template