



Interim Report – Q1-Q3

2021

Sydbank Group

Sydbank

Sydbank's Interim Report – Q1-Q3 2021

Impressive growth in lending and strong earnings

On the back of the satisfactory results achieved during the current strategy period from 2019 and until now, Sydbank releases a new 3-year strategy plan today to ensure that the positive trend since the beginning of 2014 will continue. The strategy is called “**Growing our business**”.

CEO Karen Frøsig comments on Sydbank's Q1-Q3 result:

- It is highly satisfactory to note that the efforts made by all Sydbank employees have lifted our earnings. The first 9 months of 2021 were characterised by a continued improvement in customers' sound financial health. Consequently impairment charges totalling DKK 311m were reversed.
- Furthermore we are pleased to see that our customers are starting to draw on their credit facilities. This has raised lending significantly and boosted growth in lending by DKK 2.9bn in Q3 2021.

Q1-Q3 2021 – highlights

- Profit of DKK 1,013m equals a return on equity of 10.7% p.a. after tax.
- Core income of DKK 3,280m is 21% higher compared to the same period in 2020.
- Impairment charges for loans and advances represent an income of DKK 311m, equal to an improvement of DKK 357m compared with the same period in 2020.
- Bank loans and advances have risen by DKK 4.1bn, equal to an increase of 6.8% compared to year-end 2020.
- Total credit intermediation has increased by DKK 7.0bn, equal to an increase of 4.2% compared to year-end 2020.
- A share buyback of DKK 219m was commenced on 4 October 2021.
- A dividend of DKK 5.70 per share will be distributed on 29 October 2021.
- The CET1 ratio has declined by 2.0pp compared to year-end 2020 and constitutes 16.8% excluding profit for the period. When including 50% of profit for the period, the CET1 ratio stands at 17.6%.

Board chairman Lars Mikkjelgaard-Jensen comments on Sydbank's new 3-year strategy plan:

- As a natural next step for the current strategy “A stronger bank” we must zoom out and concentrate on **growing our business** in the coming strategy period. We will enhance our market position during the strategy period. We must deliver even greater value to customers and shareholders and we must be distinct. This is a brief summary of our strategic direction for the next 3 years.

Karen Frøsig elaborates:

- The strategy “**Growing our business**” centres on 3 themes: “Better known and bigger”, “Sound business” and “Stronger competitive position”. The themes must go hand in hand with a level of profitability ensuring that Sydbank will continue to be an independent and resourceful bank – also in the future. The themes will guide us and ensure that we can meet the new strategy's goals of greater visibility in the marketplace and stronger competitive position. Furthermore we will continue to focus on the customer and be the workplace for some of our industry's most skilled and dedicated employees.

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.

Contents

Group Financial Highlights.....	4
Highlights	5
Financial Review – Performance in Q1-Q3 2021	8
Income Statement.....	16
Statement of Comprehensive Income.....	16
Balance Sheet.....	17
Financial Highlights – Quarterly	18
Financial Highlights – Half-yearly	19
Capital	20
Cash Flow Statement.....	22
Segment Reporting etc	23
Notes	25
Management Statement.....	43
Supplementary Information.....	44

Group Financial Highlights

	Q1-Q3 2021	Q1-Q3 2020	Index 21/20	Q3 2021	Q3 2020	Full year 2020
Income statement (DKKm)						
Core income	3,280	2,711	121	1,087	882	3,670
Trading income	188	204	92	47	88	278
Total income	3,468	2,915	119	1,134	970	3,948
Costs, core earnings	2,395	2,046	117	748	628	2,774
Core earnings before impairment	1,073	869	123	386	342	1,174
Impairment of loans and advances etc	(311)	46	-	(105)	4	47
Core earnings	1,384	823	168	491	338	1,127
Investment portfolio earnings	(26)	(33)	79	(7)	0	(31)
Profit before non-recurring items	1,358	790	172	484	338	1,096
Non-recurring items, net	(76)	(55)	138	(27)	(18)	(75)
Profit before tax	1,282	735	174	457	320	1,021
Tax	269	162	166	89	71	222
Profit for the period	1,013	573	177	368	249	799
Balance sheet highlights (DKKbn)						
Loans and advances at amortised cost	64.3	56.0	115	64.3	56.0	60.2
Loans and advances at fair value	19.1	16.1	119	19.1	16.1	18.0
Deposits and other debt	94.1	82.9	114	94.1	82.9	95.9
Bonds issued at amortised cost	9.6	7.4	130	9.6	7.4	9.6
Subordinated capital	1.9	1.9	100	1.9	1.9	1.9
AT1 capital	0.8	0.8	100	0.8	0.8	0.8
Shareholders' equity	12.5	11.5	109	12.5	11.5	11.7
Total assets	164.5	151.1	109	164.5	151.1	165.8
Financial ratios per share (DKK per share of DKK 10)						
Profit for the period	16.4	9.1		6.0	4.0	12.8
Share price at end of period	192.0	99.6		192.0	99.6	134.5
Book value	210.8	194.2		210.8	194.2	197.6
Share price/book value	0.91	0.51		0.91	0.51	0.68
Average number of shares outstanding (in millions)	59.3	59.0		59.3	58.6	60.4
Dividend per share	5.70	-		5.70	-	4.00
Other financial ratios and key figures						
CET1 ratio	16.8	20.1		16.8	20.1	18.8
T1 capital ratio	18.1	21.8		18.1	21.8	20.4
Capital ratio	21.5	25.6		21.5	25.6	24.0
Pre-tax profit as % p.a. of average equity	13.7	8.3		14.4	10.9	8.6
Post-tax profit as % p.a. of average equity	10.7	6.4		11.5	8.4	6.6
Costs (core earnings) as % of total income	69.1	70.2		66.0	64.7	70.3
Return on assets (%)	0.6	0.4		0.2	0.2	0.51
Interest rate risk	0.5	1.0		0.5	1.0	1.6
Foreign exchange position	2.5	2.0		2.5	2.0	1.2
Foreign exchange risk	0.0	0.0		0.0	0.0	0.0
Liquidity, LCR (%)	202	231		202	231	210
Loans and advances relative to deposits	0.6	0.6		0.6	0.6	0.5
Loans and advances relative to equity	5.3	5.1		5.3	5.1	5.1
Growth in loans and advances during the period	6.7	(7.6)		4.8	0.8	(0.5)
Total large exposures	146	153		146	153	149
Accumulated impairment ratio	2.2	2.8		2.2	2.8	2.7
Impairment ratio for the period	(0.36)	0.06		(0.12)	0.01	0.10
Number of full-time staff at end of period	2,109	1,983	106	2,109	1,983	2,286

When calculating financial ratios AT1 capital is considered a liability regardless of the fact that it is accounted for as equity.

Reference is made to financial ratio definitions in the 2020 Annual Report (page 118).

Highlights

Impressive growth in lending and strong earnings

The Sydbank Group recorded a pre-tax profit of DKK 1,282m for the first 9 months of 2021 compared with DKK 735m in the same period in 2020. The increase of DKK 547m is attributable in part to a rise in core income as well as income from impairment charges of DKK 311m in 2021 compared to an expense of DKK 46m in 2020.

Profit before tax equals a return of 13.7% p.a. on average equity.

Core income constitutes DKK 3,280m compared with DKK 2,711m in 2020 – an increase of DKK 569m, equivalent to 21%, of which 10% is attributable to the acquisition of Alm. Brand Bank. Core income is higher compared with the expectations presented in the Interim Report for 1H 2021.

Trading income in Q1-Q3 2021 constitutes DKK 188m and is in line with the expectations presented in the 2020 Annual Report.

Total income amounts to DKK 3,468m, which is an increase of 19% compared to the same period in 2020.

Costs (core earnings) constituted DKK 2,395m in Q1-Q3 2021 – a rise of 17% compared to the same period in 2020. The increase is attributable to the acquisition of Alm. Brand Bank.

Impairment charges for loans and advances represent an income of DKK 311m compared with an expense of DKK 46m in the same period in 2020.

Core earnings constitute DKK 1,384m compared with DKK 823m in 2020 – an increase of DKK 561m.

Profit for the period amounts to DKK 1,013m compared with DKK 573m in 2020 – an increase of DKK 440m.

Growing our business – new 3-year plan

On the back of the satisfactory results achieved during the current strategy period from 2019 and until now, Sydbank releases a new 3-year strategy plan today to ensure that the positive trend since the beginning of 2014 will continue. The strategy is called “**Growing our business**”.

Growing our business centres on 3 themes:

- Better known and bigger
- Sound business
- Stronger competitive position.

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 in particular on large towns and cities. 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.

Strategic goals represent the values from the Bank’s underlying philosophy and its core story with promises to its customers, to its employees and to its shareholders.

The strategic goals cover these areas:

- Awareness
- Return on equity
- Rate of costs.

Awareness

By means of targeted efforts we will increase Danes’ awareness of Sydbank and our qualities. We will elevate unaided brand awareness from its current level of around 20% to around 40% by the end of the strategy period.

Return on equity

We will continue to deliver competitive returns to the Bank’s shareholders and our goal is a return on equity in the region of 10% in 2024. The expectation of a return on equity in the region of 10% is based on a normalised level of impairment charges in 2024.

Rate of costs

We will continue to work on striking a better balance between income and costs. This will be achieved by continuing to increase income while lowering costs. Lower costs will be achieved by prioritising our initiatives, gaining a better understanding of costs throughout the organisation and continuing to ensure a powerful engine room.

The present rate of costs – in the region of 70% – is expected to have improved to around 60% by the end of the strategy period.

Sydbank – Denmark’s Corporate Bank

Sydbank is the bank for the backbone of the Danish corporate sector. With a market share of more than 10% among small and medium-sized enterprises, Sydbank is Denmark’s 3rd largest corporate bank.

Sydbank has a unique size. Sufficiently large and competent to match the professional expectations of businesses – yet sufficiently small to be attentive.

Q1-Q3 2021 performance

Core income totals DKK 3,280m, which is DKK 569m higher than in Q1-Q3 2020. The development in core income is mainly attributable to the acquisition of Alm. Brand Bank as well as an increase in net interest etc, mortgage credit, commission and brokerage due to significant trading activity in 2021.

Trading income constituted DKK 188m in Q1-Q3 2021 compared with DKK 204m a year ago.

Total income represents DKK 3,468m, which is an increase of DKK 553m compared to the same period in 2020.

Costs (core earnings) constitute DKK 2,395m compared with DKK 2,046m in 2020 – an increase of DKK 349m primarily as a result of the acquisition of Alm. Brand Bank.

The Group’s impairment charges for loans and advances represent an income of DKK 311m compared with an expense of DKK 46m in Q1-Q3 2020.

Together the Group’s position-taking and liquidity handling generated negative investment portfolio earnings of DKK 26m in the first 9 months of 2021 compared with negative earnings of DKK 33m a year ago.

Non-recurring items represent an expense of DKK 76m compared with an expense of DKK 55m in Q1-Q3 2020. In 2021 the item consists of DKK 30m related to “A stronger bank” and DKK 46m related to the integration of Alm. Brand Bank. In 2020 the item consisted of costs of DKK 55m related to “A stronger bank”.

Profit before tax for Q1-Q3 2021 amounts to DKK 1,282m compared with DKK 735m in the same period in 2020. Tax represents DKK 269m, equivalent to an effective tax rate of 21.0%. Profit for the period amounts to DKK 1,013m compared with DKK 573m in 2020.

Bank loans and advances

Bank loans and advances represented DKK 64.3bn at 30 September 2021 – an increase of DKK 8.3bn since 30 September 2020 and an increase of DKK 4.1bn since year-end 2020.

Bank loans and advances (DKKbn)	30 Sep 2021	31 Dec 2020	30 Sep 2020
Corporate clients	50.0	44.7	43.3
Retail clients	14.2	15.2	12.5
Public authorities	0.1	0.3	0.2
Total	64.3	60.2	56.0

Demand for loans is rising and at the same time competition for bank loans and advances is fierce. However the development in bank loans and advances should be compared to the favourable conditions in the real property market, which means that an increasing share of customers’ total housing debt is financed by way of mortgage loans. Arranged mortgage loans – Totalkredit went up by DKK 3.3bn in the first 9 months of 2021.

Loans and advances to corporate clients showed an increase of DKK 5.3bn in Q1-Q3 2021. The loan portfolio is affected for instance by the government’s relief packages, which include deferral of VAT and tax payments which must be repaid by 2023.

As a result of the uncertainty in connection with covid-19, many corporate clients have increased their credit facilities, which the Bank has accommodated in the form of increased credit commitments. During Q1-Q3 2021 corporate clients drew a further DKK 5.0bn under their credit facilities.

Credit facilities to corporate clients rose by DKK 6.2bn to DKK 90.7bn in Q1-Q3 2021.

Credit facilities to corporate clients (DKKbn)	30 Sep 2021	31 Dec 2020	30 Sep 2020
Drawn facilities = loans/advances before impairment charges	51.3	46.3	44.9
Undrawn facilities	39.4	38.2	38.3
Total	90.7	84.5	83.2

Credit intermediation

In addition to traditional bank loans and advances the Group arranges for mortgage loans from Totalkredit and DLR Kredit. The Group’s total credit intermediation comprises bank loans and advances, mortgage-like loans funded by Totalkredit as well as mortgage loans arranged through Totalkredit and DLR Kredit. At 30 September 2021 credit intermediation totalled DKK 172.6bn – an increase of DKK 7.0bn compared to year-end 2020.

The change is attributable to a rise in bank loans and advances of DKK 4.1bn, a decline in funded mortgage-like loans of DKK 1.1bn and an increase in arranged mortgage loans of a total of DKK 4.0bn.

Total credit intermediation (DKKbn)	30 Sep 2021	31 Dec 2020	30 Sep 2020
Bank loans and advances	64.3	60.2	56.0
Funded mortgage-like loans	5.9	7.0	7.3
Arranged mortgage loans - Totalkredit	89.0	85.7	68.1
Arranged mortgage loans - DLR	13.4	12.7	11.3
Total	172.6	165.6	142.7

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.

In connection with the release of the 2020 Annual Report profit after tax was expected to be in the range of DKK 850-1,150m in 2021.

On 9 July 2021 the Bank adjusted upwards its expectations and profit after tax was expected to be in the range of DKK 1,150-1,350m.

On 14 October 2021 the Bank adjusted upwards its expectations again and now 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.

Sydbank's core story

Banking

Sydbank's mission is to be a bank that is close to its customers. We find solutions where they are – quickly and efficiently. We build on relationships between people. And we focus on what is important – banking and sound business. Banking – pure and simple.

Our bank

Rooted in Southern Jutland, Sydbank is a strong and independent nationwide bank operating on its own terms. For the backbone of the Danish corporate sector and for retail customers who value professional advice we are a bank for most people but not the same bank for everyone. Good old-fashioned attentiveness, new technology – we use what works. We know our customers and we are close to them providing advice tailored to their individual needs. Backed by the best business partners our competitive strength is increased. Our bank – excellence and relationships create value.

Sydbank

Our bank makes 3 promises – to our customers, to our employees and to our shareholders. You will know us for the value we create for our customers. You will know us for our belief that excellent and committed employees are our most important asset. And you will know us for always having a level of profitability that will enable us to remain an independent and resourceful bank. Sydbank – what can we do for you.

Financial Review – Performance in Q1-Q3 2021

The Sydbank Group has recorded a profit before tax of DKK 1,282m (Q1-Q3 2020: DKK 735m).

Profit before tax equals a return of 13.7% p.a. on average equity.

Profit for the period after tax represents DKK 1,013m compared with DKK 573m in 2020.

Profit after tax equals a return of 10.7% p.a. on average equity.

Profit for Q1-Q3 2021 exceeds expectations at the beginning of the year.

The result is characterised by:

- a rise in core income of DKK 569m to DKK 3,280m
- a decline in trading income of DKK 16m
- higher costs (core earnings) – as a result of the acquisition of Alm. Brand Bank
- impairment charges represent an income of DKK 311m, of which DKK 105m concerns mink farming
- a rise in core earnings of DKK 561m to DKK 1,384m
- negative investment portfolio earnings of DKK 26m
- bank loans and advances of DKK 64.3bn (year-end 2020: DKK 60.2bn) – an increase of DKK 4.1bn
- bank deposits of DKK 94.1bn (year-end 2020: DKK 95.9bn)
- a CET1 ratio of 16.8% (year-end 2020: 18.8%)
- an individual solvency need of 10.7% (year-end 2020: 10.8%).

Income statement – Q1-Q3 (DKKm)	2021	2020
Core income	3,280	2,711
Trading income	188	204
Total income	3,468	2,915
Costs, core earnings	2,395	2,046
Core earnings before impairment	1,073	869
Impairment of loans and advances etc	(311)	46
Core earnings	1,384	823
Investment portfolio earnings	(26)	(33)
Profit before non-recurring items	1,358	790
Non-recurring items, net	(76)	(55)
Profit before tax	1,282	735
Tax	269	162
Profit for the period	1,013	573

Core income

Core income represents DKK 3,280m – an increase of DKK 569m compared with 2020.

Net interest has gone up by DKK 202m to DKK 1,306m compared to 2020. Net interest is positively affected by the acquisition of Alm. Brand Bank and the measures implemented as regards deposits.

Net income from the cooperation with Totalkredit represents DKK 407m (2020: DKK 355m) after a set-off of loss of DKK 10m (2020: DKK 7m).

The cooperation with DLR Kredit has generated an income of DKK 113m (2020: DKK 89m).

Total mortgage credit income represents DKK 522m – an increase of DKK 77m compared with 2020.

Commission and brokerage have risen by DKK 67m to DKK 338m compared to 2020. The increase is attributable to significant trading activity in 2021.

Asset management represents DKK 279m compared with DKK 210m in 2020.

The remaining income components have increased by DKK 154m, equal to a rise of 23%.

Core income – Q1-Q3 (DKKm)	2021	2020
Net interest etc	1,306	1,104
Mortgage credit	522	445
Payment services	151	111
Remortgaging and loan fees	129	128
Commission and brokerage	338	271
Commission etc investment funds and pooled pension plans	255	209
Asset management	279	210
Custody account fees	77	58
Other operating income	223	175
Total	3,280	2,711

Trading income

Trading income dropped by DKK 16m to DKK 188m in Q1-Q3 2021 compared with the same period in 2020.

The lower income is predominantly attributable to the fact that income in Q1-Q3 2021 was affected by negative market developments in Q3 2021.

Costs and depreciation

The Group's costs and depreciation total DKK 2,476m, an increase of DKK 370m compared to the same period in 2020.

Costs and depreciation – Q1-Q3 (DKKm)	2021	2020
Staff costs	1,401	1,187
Other administrative expenses	954	832
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment	97	69
Other operating expenses	24	18
Total costs and depreciation	2,476	2,106
Distributed as follows:		
Costs, core earnings	2,395	2,046
Costs, investment portfolio earnings	5	5
Non-recurring costs	76	55

Costs (core earnings) represent DKK 2,395m compared with DKK 2,046m in 2020 – an increase of DKK 349m. The rise is attributable to the acquisition of Alm. Brand Bank where costs amounted to DKK 403m in Q1-Q3 2020.

At 30 September 2021 the Group's staff numbered 2,109 (full-time equivalent) compared with 1,983 at 30 September 2020 and 2,286 at 31 December 2020.

In Q1-Q3 2021 the number of employees declined by 177, which is primarily attributable to the integration of Alm. Brand Bank.

Compared to year-end 2020 the number of branches has increased by 1, bringing the number of branches to 57 in Denmark and 3 in Germany at end-September 2021.

Core earnings before impairment

Core earnings before impairment charges for loans and advances represent DKK 1,073m – an increase of DKK 204m or 23% compared to the same period in 2020.

Impairment of loans and advances etc

Impairment charges for loans and advances represent an income of DKK 311m compared with an expense of DKK 46m in the same period in 2020.

The Group's impairment charges for loans and advances include a management estimate of DKK 325m (31 December 2020: DKK 325m) to cover the consequences of the covid-19 outbreak on the Group's lending portfolio. The estimate is based on a current assessment of the effects of covid-19 on the Group's lending portfolio and the estimate may change in the coming quarters.

At 30 September 2021 Sydbank's unsecured loans and advances in the weakest rating categories

(excluding agriculture) amounted to DKK 494m. These loans and advances are not subject to objective evidence of credit impairment but in the short term they are the most critical in terms of credit impairment due to covid-19. The impairment charges include a management estimate of DKK 125m to hedge the risk of these loans and advances, equal to 25%.

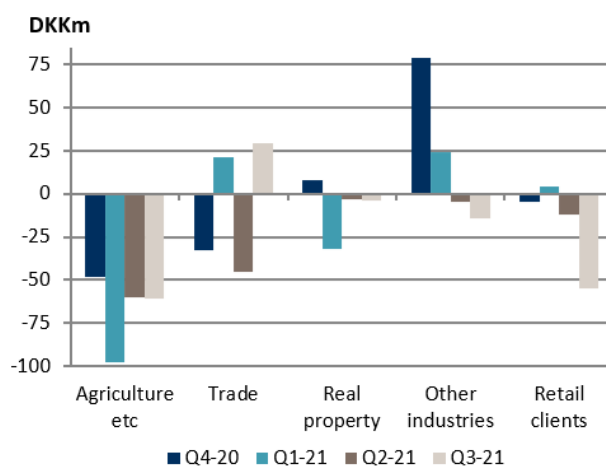
Furthermore impairment charges include a management estimate of DKK 200m to cover unforeseen events as regards the remaining part of the lending portfolio, the credit risk of which is satisfactory or normal.

The Group's total lending to the entertainment industry, retailers and small businesses is low.

Consequently management estimates as a result of covid-19 total DKK 325m (31 December 2020: DKK 325m).

The chart below shows impairment charges for loans and advances in the last 4 quarters as regards agriculture etc, trade, real property, other industries as well as retail clients.

Impairment charges – quarterly



The impairment ratio for the period relative to bank loans and advances and guarantees at 30 September 2021 represents minus 0.4%. At end-September 2021 accumulated impairment and provisions amounted to DKK 1,939m – a decline of DKK 290m compared to year-end 2020.

In Q1-Q3 2021 reported losses amounted to DKK 275m (Q1-Q3 2020: DKK 277m). Of the reported losses an impairment charge of DKK 237m (Q1-Q3 2020: DKK 182m) has previously been recorded.

Impairment charges are made for expected credit losses as regards all financial assets measured at amortised cost and similar provisions are made for

expected credit losses as regards undrawn credit commitments and financial guarantees.

Impairment charges for expected credit losses depend on whether the credit risk of a financial asset has increased significantly since initial recognition and follow a 3-stage model. The portfolio in stage 3 acquired from Alm. Brand Bank is recognised under "credit impaired at initial recognition":

- **Stage 1** – facilities with no significant increase in credit risk. The asset is written down by an amount equal to the expected credit loss as a result of the probability of default over the coming 12 months
- **Stage 2** – facilities with a significant increase in credit risk. The asset is transferred to stage 2 and is written down by an amount equal to the expected credit loss over the life of the asset
- **Stage 3** – facilities where the financial asset is in default or is otherwise credit impaired
- **Credit impaired at initial recognition (POCI)** – facilities which were credit impaired at the time of acquisition of Alm. Brand Bank. They are recognised on acquisition at the fair value of the debt acquired.

The Group's loans and advances and impairment charges at 30 September 2021 allocated to these stages are shown below.

Loans/advances and impairment charges – 30 Sep 2021					
(DKKm)	Stage 1	Stage 2	Stage 3	POCI	Total
Loans/advances before impairment charges	61,236	3,553	1,160	164	66,113
Impairment charges	404	787	588	-	1,779
Total loans/advances	60,832	2,766	572	164	64,334

30 Sep 2021	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment charges as % of bank loans/advances	0.7	22.2	50.7	-	2.7
Share of bank loans/advances before impairment charges (%)	92.6	5.4	1.8	0.2	100.0
Share of bank loans/advances after impairment charges (%)	94.5	4.3	0.9	0.3	100.0

Credit impaired bank loans and advances – stage 3 – represent 1.8% (year-end 2020: 3.8%) of total bank loans and advances before impairment charges and

0.9% (year-end 2020: 1.9%) of total bank loans and advances after impairment charges.

Impairment charges concerning credit impaired bank loans and advances as a percentage of credit impaired bank loans and advances at 30 September 2021 stand at 50.7% (year-end 2020: 49.3%). Credit impaired bank loans and advances from the acquisition of Alm. Brand Bank – credit impaired at initial recognition – amount to 0.2% of total bank loans and advances before impairment charges and 0.3% of total bank loans and advances after impairment charges.

Core earnings

Core earnings represent DKK 1,384m – an increase of DKK 561m compared to the same period in 2020.

Investment portfolio earnings

Together the Group's position-taking and liquidity handling generated negative investment portfolio earnings of DKK 26m in Q1-Q3 2021 compared with negative earnings of DKK 33m a year ago.

The portfolio has been composed with the aim of making investment portfolio earnings neutral to interest rate changes.

Investment portfolio earnings – Q1-Q3 (DKKm)	2021	2020
Position-taking	(13)	16
Liquidity generation and liquidity reserves	(12)	(40)
Strategic positions	4	(4)
Costs	(5)	(5)
Total	(26)	(33)

Non-recurring items, net

Non-recurring items represent an expense of DKK 76m compared with an expense of DKK 55m in Q1-Q3 2020.

In 2021 the item consists of costs of DKK 30m related to "A stronger bank" and DKK 46m related to the integration of Alm. Brand Bank.

In 2020 the item consisted of costs of DKK 55m related to "A stronger bank".

Profit for the period

Profit before tax amounts to DKK 1,282m (Q1-Q3 2020: DKK 735m). Tax represents DKK 269m, equivalent to an effective tax rate of 21.0%. Profit for the period amounts to DKK 1,013m compared with DKK 573m in 2020.

Return

Profit for the period equals a return on average equity of 10.7% p.a. after tax against 6.4% p.a. in Q1-Q3 2020. Earnings per share stands at DKK 16.4 compared with DKK 9.1 in 2020.

Q3 2021 compared with Q2 2021

Profit before tax for the quarter represents DKK 457m (Q2 2021: DKK 452m).

Compared to Q2 2021 profit before tax reflects:

- a decline in core income of DKK 1m – the level remains high however
- a decline in costs (core earnings) of DKK 66m due to seasonal fluctuations

- impairment charges for loans and advances represent an income of DKK 105m in Q3 and DKK 125m in Q2
- an increase in core earnings of DKK 24m to DKK 491m
- investment portfolio earnings of minus DKK 7m (Q2 2021: DKK 2m).

Profit for the period (DKKm)	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Core income	1,087	1,088	1,105	959	882	869	960
Trading income	47	68	73	74	88	109	7
Total income	1,134	1,156	1,178	1,033	970	978	967
Costs, core earnings	748	814	833	728	628	700	718
Core earnings before impairment	386	342	345	305	342	278	249
Impairment of loans and advances etc	(105)	(125)	(81)	1	4	(42)	84
Core earnings	491	467	426	304	338	320	165
Investment portfolio earnings	(7)	2	(21)	2	0	45	(78)
Profit before non-recurring items	484	469	405	306	338	365	87
Non-recurring items, net	(27)	(17)	(32)	(20)	(18)	(20)	(17)
Profit before tax	457	452	373	286	320	345	70
Tax	89	98	82	60	71	76	15
Profit for the period	368	354	291	226	249	269	55

Subsidiaries

Profit after tax of the subsidiaries represents DKK 33m (Q1-Q3 2020: DKK 22m). Sydbank has sold the subsidiary Alm. Brand Leasing A/S to Opendo A/S effective from 1 March 2021.

Total assets

The Group's total assets made up DKK 164.6bn at 30 September 2021 against DKK 165.8bn at year-end 2020.

Assets (DKKbn)	30 Sep 2021	31 Dec 2020
Amounts owed by credit institutions etc	19.1	17.2
Loans and advances at fair value (reverse transactions)	19.1	18.0
Loans and advances at amortised cost (bank loans and advances)	64.3	60.2
Securities and holdings etc	32.6	39.5
Assets related to pooled plans	20.9	19.8
Other assets etc	8.5	11.1
Total	164.5	165.8

The Group's bank loans and advances totalled DKK 64.3bn at end-September 2021 against DKK 60.2bn at year-end 2020 and DKK 56.0bn at end-September 2020.

Equity and liabilities (DKKbn)	30 Sep 2021	31 Dec 2020
Amounts owed to credit institutions etc	6.1	7.1
Deposits and other debt	94.1	95.9
Deposits in pooled plans	20.9	19.8
Bonds issued	9.6	9.6
Other liabilities etc	18.1	18.5
Provisions	0.5	0.5
Subordinated capital	1.9	1.9
Equity	13.3	12.5
Total	164.5	165.8

The Group's deposits make up DKK 94.1bn against DKK 95.9bn at year-end 2020 and DKK 82.9bn at end-September 2020.

Equity

At 30 September 2021 shareholders' equity constituted DKK 12,500m – an increase of DKK 788m since year-end 2020. The change comprises an addition from comprehensive income for the period of DKK 1,033m less distribution of DKK 248m and net purchases of own shares etc of DKK 3m.

Equity comprises dividend distribution for 2019 of DKK 340m which was adopted at the extraordinary general meeting held on 26 October 2021.

Capital

REA (DKKbn)	30 Sep 2021	31 Dec 2020
Credit risk	39.4	33.3
Market risk	6.4	6.7
Operational risk	6.7	6.7
Other exposures incl CVA	6.1	7.3
Total	58.6	54.0

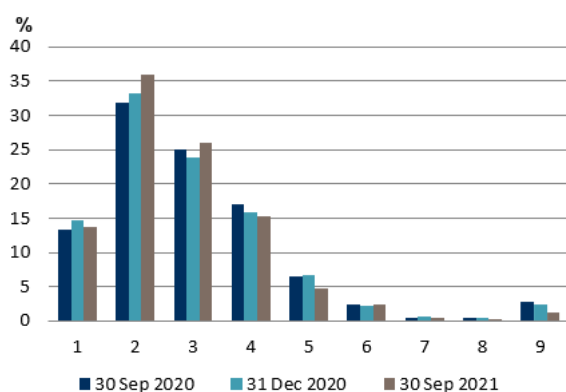
The risk exposure amount represents DKK 58.6bn (year-end 2020: DKK 54.0bn). The change is mainly attributable to an increase in credit risk of DKK 6.1bn as well as a decline in other exposures incl CVA and market risk of DKK 1.2bn and DKK 0.3bn respectively.

At 30 September 2021 the risk exposure amount shows a total increase of DKK 4.6bn, which is primarily attributable to the introduction of a new definition of default as from 1 January 2021 as well as an increase in bank loans and advances of DKK 4.1bn compared to year-end 2020.

The development in the gross exposure by rating category at 30 September 2021, 31 December 2020 and 30 September 2020 appears below.

The gross exposure by rating category shows a positive development with an increasing share in the 4 best rating categories and a falling share in the 5 poorest rating categories.

Gross exposure by rating category



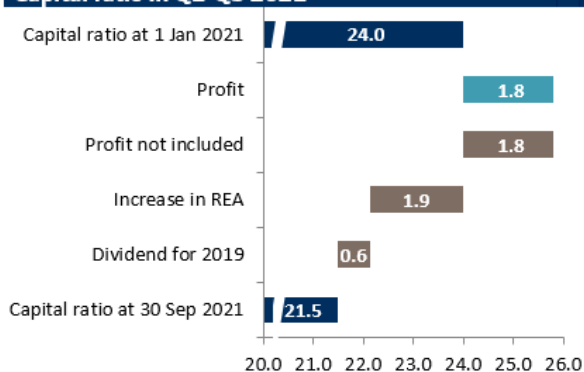
The gross exposure consists of loans and advances, undrawn credit commitments, interest receivable, guarantees and counterparty risk on derivatives. The graph comprises exposures treated according to IRB. Exposures relating to clients in default are not included in the breakdown of rating categories. Impairment charges for exposures have not been deducted from the exposure.

Solvency

Solvency (DKKkm)	30 Sep 2021	31 Dec 2020
REA	58,619	54,040
CET1 capital	9,838	10,185
T1 capital	10,638	11,041
Total capital	12,609	12,952
CET1 ratio	16.8	18.8
T1 capital ratio	18.1	20.4
Capital ratio	21.5	24.0

The Group's capital ratio stands at 21.5%, of which the T1 capital ratio represents 18.1% compared with 24.0% and 20.4% respectively at year-end 2020. The CET1 ratio stands at 16.8% (31 December 2020: 18.8%).

Capital ratio in Q1-Q3 2021



Profit for the period is not included in the calculation of capital ratios at 30 September 2021.

The capital ratio declined by 2.5pp in Q1-Q3, of which 1.9pp represent the increase in the risk exposure amount and 0.6pp concern dividend for 2019.

At 30 September 2021 the individual solvency need represented 10.7% (31 December 2020: 10.8%).

The parent's capital ratio stands at 20.8%, of which the T1 capital ratio represents 17.6% compared with 22.7% and 19.4% respectively at year-end 2020. The CET1 ratio stands at 16.2% (31 December 2020: 17.9%).

Capital requirements

The Group's capital management is anchored in the Internal Capital Adequacy Assessment Process (ICAAP), a review conducted to identify risks and determine the individual solvency need.

At end-September 2021 the individual solvency need represented 10.7%. The solvency need consists of a

minimum capital requirement of 8% under Pillar I and a capital add-on under Pillar II. Approximately 56% of the solvency need must be covered by CET1 capital, equivalent to 6.0% of the risk exposure amount.

In addition to the solvency need the Group must meet a combined buffer requirement of 3.5% at 30 September 2021.

Capital and solvency and capital requirements (% of REA)	30 Sep 2021	Fully loaded*
Capital and solvency		
CET1 ratio	16.8	16.6
Capital ratio	21.5	21.3
Capital requirements (incl buffers)**		
Total capital requirement	14.2	15.2
CET1 capital requirement	9.5	10.5
- of which countercyclical capital buffer	0.0	1.0
- of which capital conservation buffer	2.5	2.5
- of which SIFI buffer	1.0	1.0
Excess capital		
CET1 capital	7.3	6.1
Total capital	7.3	6.1

* Based on fully loaded requirements and the impact of IFRS 9.

** The total capital requirement consists of an individual solvency need and a combined buffer requirement. The fully loaded countercyclical capital buffer is based on the adopted requirement at 30 September 2021.

In June 2021 the Danish Minister for Industry, Business and Financial Affairs decided to reactivate the countercyclical capital buffer at a rate of 1.0% effective from 30 September 2022.

Market risk

At 30 September 2021 the Group's interest rate risk represented DKK 48m. The Group's exchange rate risk continues to be very low and its equity position modest.

Funding and liquidity

The guidelines for calculating the Liquidity Coverage Ratio (LCR) specify a run-off of exposures while taking into account counterparties, funding size, hedging and maturity. Consequently the most stable deposits are favoured relative to large deposits, in particular large deposits from businesses and financial counterparties.

The Group's LCR constituted 202% at 30 September 2021 (31 December 2020: 210%).

LCR (DKKbn)	30 Sep 2021	31 Dec 2020	30 Sep 2020
Total liquidity buffer	45.7	51.3	43.2
Net cash outflows	22.6	24.4	18.7
LCR (%)	202	210	231

The Group has met the LCR requirement throughout the period and as can be seen its excess cover continues to be significant at 30 September 2021.

Funding ratio (DKKbn)	30 Sep 2021	31 Dec 2020	30 Sep 2020
Equity and subordinated capital	15.1	14.4	14.1
Senior loans with maturities > 1 year	5.9	9.6	7.4
Stable deposits	86.8	87.6	78.5
Total stable funding	107.8	111.6	100.0
Bank loans and advances	64.3	60.2	56.0
Funding ratio (%)	168	185	179

The Group's stable funding exceeded the Group's loans and advances by DKK 43.5bn at 30 September 2021 (31 December 2020: DKK 51.4bn).

Rating

Moody's most recent ratings of Sydbank:

- Outlook: Stable
- Long-term deposit: A1
- Baseline Credit Assessment: Baa1
- Senior unsecured: A1
- Short-term deposit: P-1.

Supervisory Diamond

The Supervisory Diamond sets up a number of benchmarks to indicate banking activities that initially should be regarded as involving a higher risk. Any breach of the Supervisory Diamond is subject to reactions by the Danish FSA. Sydbank complies with all the benchmarks of the Supervisory Diamond.

Supervisory Diamond benchmarks	30 Sep 2021	31 Dec 2020	30 Sep 2020
Sum of 20 largest exposures < 175%	146	149	153
Lending growth < 20% annually	15	(1)	(8)
Commercial property exposure < 25%	8	7	7
Excess liquidity coverage > 100%	224	232	254

Bank Recovery and Resolution Directive

The directive, including the bail-in provisions, was implemented in Danish law on 1 June 2015.

According to legislation each credit institution must meet a minimum requirement for own funds and eligible liabilities (MREL). In December 2020 the Danish FSA set the MREL for Sydbank at 25.1% of the risk exposure amount.

The Group's MREL is based on the risk exposure amount using a factor which has been set at the sum

of twice the solvency need and once the SIFI buffer, the capital conservation buffer and the countercyclical capital buffer.

MREL - 30 Sep 2021 (%)	Capital requirements	MREL
Solvency need	10.7	21.5
SIFI buffer	1.0	1.0
Capital conservation buffer	2.5	2.5
Countercyclical capital buffer	0.0	0.0
Total requirement (%)	14.2	25.0
Total requirement (DKKm)	8,324	14,649

At 30 September 2021 the Group met the MREL with an excess cover of DKK 1,762m. The excess cover corresponds to an increase in the solvency need of 3.0pp or an increase in the risk exposure amount of DKK 7,052m.

One of the Group's NPS issues of EUR 500m has a maturity of less than 1 year and cannot be included.

Excess cover - MREL (DKKm)	
Total capital	12,609
NPS issues with maturity exceeding 1 year	5,854
Cover of combined buffer requirement	(2,052)
Total own funds and eligible liabilities	16,411
MREL	14,649
Excess cover	1,762
Excess cover as % of REA	3.0

In connection with the ongoing refinancing of the Group's NEP capital the Bank will look into the possibilities of a potentially new issue in the course of Q4.

The establishment of a resolution fund is underway. Credit institutions must make contributions to the fund according to their relative size and risk in Denmark. The resolution fund must be established and have assets at its disposal equal to at least 1% of the covered deposits of all Danish credit institutions by 31 December 2024.

The Group's contribution to the resolution fund for 2021 is expected to represent DKK 25m.

Leverage ratio

The CRR/CRD IV rules require credit institutions to calculate, report, monitor and disclose their leverage ratio, which is defined as T1 capital as a percentage of total exposure. With the introduction of the CRR2 Regulation a 3% leverage ratio requirement has been stipulated, equal to a leverage ratio of 33%. The regulation took effect on 30 June 2021.

The Group's leverage ratio constituted 5.6% at 30 September 2021 (year-end 2020: 6.1%) taking into account the transitional rules.

Assuming fully loaded T1 capital under CRR/CRD IV without any refinancing of non-eligible AT1 capital, the leverage ratio would represent 5.6% (year-end 2020: 6.1%).

The introduction of a minimum leverage ratio requirement is not expected to be of significance to the Group.

IFRS 9 - transitional arrangement

To counter an unintended impact on regulatory capital and hence banks' possibilities of supporting lending, a transitional arrangement has been adopted so that any adverse impact from the new impairment model will be phased in over a period. As a result of covid-19 the arrangement has been prolonged until 2024. Sydbank uses the transitional arrangement.

Basel IV

On 7 December 2017 the Basel Committee on Banking Supervision (BCBS) published its recommendations for a number of changes to the calculation of the capital requirements for credit institutions. These recommendations, also known as Basel IV, propose among other things to constrain the use of internal models and introduce a permanent floor for the risk exposure amount.

The recommendations are expected to have a limited impact on the Group's capital.

The recommendations must be implemented in the EU before they apply to Danish credit institutions. The Group is following developments closely. At present the extent of changes in relation to the Basel Committee's recommendations when implemented into EU regulation is unknown. The effective date is expected to be 1 January 2023 on which date the floor requirement is also expected to be implemented, starting at 50% and gradually increasing until finally reaching 72.5% on 1 January 2028.

New definition of default

As of 1 January 2021 new rules regarding the definition of default entered into force which involve a broadening of the concept - and consequently more defaults.

The Group is developing new models for retail clients and corporate clients and will incorporate the new definition of default in these models. As a result a significant consequential effect of the new default definition - lower LGD - will be introduced at the same time.

Exposures affected by covid-19

The following exposures are considered to be the most affected by covid-19:

- Severely impacted industries
- Weak corporate clients
- Small corporate clients.

Severely impacted industries

Mainly businesses within the following industries are considered to be severely impacted by covid-19:

- Sea and air transport
- Specialised retailers, exclusive of cars
- Hotels, restaurants and entertainment.

Loans and advances to these industries represented DKK 2.4bn at 30 September 2021, equivalent to 3.7% of total loans and advances of DKK 64.3bn.

Weak corporate clients

Customers who were already weak before the coronavirus crisis – corresponding to rating categories 7, 8, 9 and default – will be even more challenged during times of crisis.

Impairment charges are recorded on a regular basis on all customers subject to objective evidence of credit impairment and as a result these customers are given individual focus.

Loans and advances to weak corporate clients without objective evidence of credit impairment (excluding agriculture) total DKK 0.7bn. After deduction of collateral received of DKK 0.2bn, unsecured loans and advances represent DKK 0.5bn.

Small corporate clients

By experience the smallest businesses are often less robust.

Loans and advances to the smallest businesses – with a balance sheet total of less than DKK 5m – represented DKK 0.9bn at 30 September 2021, equivalent to 1.5% of total loans and advances of DKK 64.3bn.

Income Statement

DKKm	Note	Q1-Q3 2021	Q1-Q3 2020	Q3 2021	Q3 2020
Interest income calculated using the effective interest method		1,537	1,363	522	439
Other interest income		220	184	64	66
Interest income	2	1,757	1,547	586	505
Interest expense	3	326	344	115	107
Net interest income		1,431	1,203	471	398
Dividends on shares		20	25	0	0
Fee and commission income	4	1,945	1,629	632	532
Fee and commission expense		231	227	77	73
Net interest and fee income		3,165	2,630	1,026	857
Market value adjustments	5	260	239	98	107
Other operating income		20	12	5	4
Staff costs and administrative expenses	6	2,356	2,019	730	619
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment		97	69	38	22
Other operating expenses	8	24	18	9	6
Impairment of loans and advances etc	9	(311)	46	(106)	4
Profit/(Loss) on holdings in associates and subsidiaries	10	3	6	0	2
Profit before tax		1,282	735	458	319
Tax	11	269	162	90	70
Profit for the period		1,013	573	368	249
Distribution of profit for the period					
Shareholders of Sydbank A/S		974	539	355	237
Holders of AT1 capital		39	34	13	12
Total amount to be allocated		1,013	573	368	249
Interest paid to holders of AT1 capital		29	29	10	10
Minority shareholders		10	5	3	2
Transfer to equity		974	539	355	237
Total amount allocated		1,013	573	368	249
EPS Basic for the period (DKK)*		16.4	10.3	6.0	4.0
EPS Diluted for the period (DKK)*		16.4	10.3	6.0	4.0
Dividend per share (DKK)		5.70	-	5.70	-

* Calculated on the basis of average number of shares outstanding, see page 20.

Statement of Comprehensive Income

Profit for the period	1,013	573	368	249
Other comprehensive income				
<u>Items that may be reclassified to the income statement:</u>				
Translation of foreign entities	-	1	-	(3)
Hedge of net investment in foreign entities	-	(1)	-	3
<u>Items that may not be reclassified to the income statement:</u>				
Value adjustment of certain strategic shares	59	(4)	(18)	(4)
Other comprehensive income after tax	59	(4)	(18)	(4)
Comprehensive income for the period	1,072	569	350	245

Balance Sheet

DKKm	Note	30 Sep 2021	31 Dec 2020	30 Sep 2020
Assets				
Cash and balances on demand at central banks		1,480	2,806	2,402
Amounts owed by credit institutions and central banks	12	17,614	14,428	15,004
Loans and advances at fair value		19,114	17,961	16,106
Loans and advances at amortised cost	13	64,334	60,229	55,970
Bonds at fair value		29,773	36,942	30,636
Shares etc		2,619	2,409	2,180
Holdings in associates etc		195	173	148
Assets related to pooled plans		20,944	19,773	19,001
Intangible assets		414	445	224
Owner-occupied property		1,106	1,079	1,060
Owner-occupied property (leasing)		76	101	63
Total land and buildings		1,182	1,180	1,123
Other property, plant and equipment		62	70	62
Current tax assets		399	147	72
Deferred tax assets		21	20	33
Assets in temporary possession		-	971	-
Other assets	14	6,317	8,170	8,093
Prepayments		67	76	61
Total assets		164,535	165,800	151,115
Equity and liabilities				
Amounts owed to credit institutions and central banks	15	6,140	7,093	6,049
Deposits and other debt	16	94,080	95,919	82,872
Deposits in pooled plans		20,944	19,773	19,001
Liabilities temporarily acquired		-	88	-
Bonds issued at amortised cost		9,590	9,563	7,422
Current tax liabilities		3	-	-
Other liabilities	17	18,133	18,465	21,190
Deferred income		8	7	3
Total liabilities		148,898	150,908	136,537
Provisions	18	490	529	462
Subordinated capital	19	1,857	1,857	1,858
Equity:				
Share capital		597	597	597
Revaluation reserves		104	104	116
Other reserves:				
Reserves according to articles of association		425	425	425
Reserve for net revaluation according to equity method		2	2	4
Retained earnings		11,032	10,336	10,332
Proposed dividend etc		340	248	-
Shareholders of Sydbank A/S		12,500	11,712	11,474
Holders of AT1 capital		747	757	748
Minority shareholders		43	37	36
Total equity		13,290	12,506	12,258
Total equity and liabilities		164,535	165,800	151,115

Financial Highlights - Quarterly

	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Income statement (DKKm)							
Core income	1,087	1,088	1,105	959	882	869	960
Trading income	47	68	73	74	88	109	7
Total income	1,134	1,156	1,178	1,033	970	978	967
Costs, core earnings	748	814	833	728	628	700	718
Core earnings before impairment	386	342	345	305	342	278	249
Impairment of loans and advances etc	(105)	(125)	(81)	1	4	(42)	84
Core earnings	491	467	426	304	338	320	165
Investment portfolio earnings	(7)	2	(21)	2	0	45	(78)
Profit before non-recurring items	484	469	405	306	338	365	87
Non-recurring items, net	(27)	(17)	(32)	(20)	(18)	(20)	(17)
Profit before tax	457	452	373	286	320	345	70
Tax	89	98	82	60	71	76	15
Profit for the period	368	354	291	226	249	269	55
Balance sheet highlights (DKKbn)							
Loans and advances at amortised cost	64.3	61.4	61.5	60.2	56.0	55.5	60.0
Loans and advances at fair value	19.1	20.3	18.2	18.0	16.1	19.1	19.6
Deposits and other debt	94.1	98.1	93.0	95.9	82.9	84.2	82.2
Bonds issued at amortised cost	9.6	9.6	9.6	9.6	7.4	7.4	7.4
Subordinated capital	1.9	1.9	1.9	1.9	1.9	1.9	1.9
AT1 capital	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Shareholders' equity	12.5	12.2	11.8	11.7	11.5	11.2	11.0
Total assets	164.5	169.8	164.8	165.8	151.1	150.4	150.2
Financial ratios per share (DKK per share of DKK 10)							
Profit for the period	6.0	5.8	4.7	3.7	4.0	4.4	0.7
Share price at end of period	192.0	193.1	170.9	134.5	99.6	123.0	96.1
Book value	210.8	205.1	198.5	197.6	194.2	190.2	185.8
Share price/book value	0.91	0.94	0.86	0.68	0.51	0.65	0.52
Average number of shares outstanding (in millions)	59.3	59.3	59.3	59.3	58.6	59.0	59.2
Dividend per share	5.70	-	-	4.00	-	-	-
Other financial ratios and key figures							
CET1 ratio	16.8	17.7	18.1	18.8	20.1	20.2	19.0
T1 capital ratio	18.1	19.1	19.5	20.4	21.8	22.0	20.6
Capital ratio	21.5	22.5	23.0	24.0	25.6	25.9	24.3
Pre-tax profit as % p.a. of average equity	14.4	14.7	12.3	9.5	10.9	12.1	2.1
Post-tax profit as % p.a. of average equity	11.5	11.4	9.5	7.4	8.4	9.3	1.6
Costs (core earnings) as % of total income	66.0	70.4	70.7	70.3	64.7	71.6	74.3
Return on assets (%)	0.2	0.4	0.2	0.1	0.2	0.2	0.0
Interest rate risk	0.5	1.7	1.2	1.6	1.0	0.9	0.6
Foreign exchange position	2.5	1.2	2.0	1.2	2.0	1.3	2.3
Foreign exchange risk	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liquidity, LCR (%)	202	235	211	210	231	232	196
Loans and advances relative to deposits	0.6	0.5	0.6	0.5	0.6	0.6	0.6
Loans and advances relative to equity	5.3	5.0	5.2	5.1	5.1	5.1	5.5
Growth in loans and advances during the period	4.8	(0.3)	2.1	7.6	0.8	(7.5)	(0.9)
Total large exposures	146	141	151	149	153	152	139
Accumulated impairment ratio	2.2	2.4	2.6	2.7	2.8	3.0	2.7
Impairment ratio for the period	(0.12)	(0.15)	(0.10)	0.00	0.01	(0.06)	0.10
Number of full-time staff at end of period	2,109	2,126	2,166	2,286	1,983	1,979	2,004

When calculating financial ratios AT1 capital is considered a liability regardless of the fact that it is accounted for as equity.

Reference is made to financial ratio definitions in the 2020 Annual Report (page 118).

Financial Highlights - Half-yearly

	Q1-Q3 2021	Q1-Q3 2020	Q1-Q3 2019	Q1-Q3 2018	Q1-Q3 2017
Income statement (DKK m)					
Core income	3,280	2,711	2,729	3,003	3,129
Trading income	188	204	186	140	197
Total income	3,468	2,915	2,915	3,143	3,326
Costs, core earnings	2,395	2,046	2,080	2,036	1,992
Core earnings before impairment	1,073	869	835	1,107	1,334
Impairment of loans and advances etc	(311)	46	(49)	(71)	(38)
Core earnings	1,384	823	884	1,178	1,372
Investment portfolio earnings	(26)	(33)	(47)	(68)	195
Profit before non-recurring items	1,358	790	837	1,110	1,567
Non-recurring items, net	(76)	(55)	(27)	83	(23)
Profit before tax	1,282	735	810	1,193	1,544
Tax	269	162	152	227	340
Profit for the period	1,013	573	658	966	1,204
Balance sheet highlights (DKK bn)					
Loans and advances at amortised cost	64.3	56.0	60.9	62.1	66.8
Loans and advances at fair value	19.1	16.1	12.5	6.0	5.9
Deposits and other debt	94.1	82.9	89.1	82.7	80.8
Bonds issued at amortised cost	9.6	7.4	7.4	3.7	3.7
Subordinated capital	1.9	1.9	1.9	1.9	1.3
AT1 capital	0.8	0.8	0.8	0.8	-
Shareholders' equity	12.5	11.5	10.8	11.1	11.8
Total assets	164.5	151.1	162.5	135.0	131.9
Financial ratios per share (DKK per share of DKK 10)					
Profit for the period	16.4	9.1	10.3	14.5	17.5
Share price at end of period	192.0	99.6	120.8	189.0	261.3
Book value	210.8	194.2	181.3	179.5	174.0
Share price/book value	0.91	0.51	0.67	1.05	1.50
Average number of shares outstanding (in millions)	59.3	59.0	60.7	65.8	68.7
Dividend per share	5.70	-	-	-	-
Other financial ratios and key figures					
CET1 ratio	16.8	20.1	16.2	16.1	15.5
T1 capital ratio	18.1	21.8	17.8	17.9	16.0
Capital ratio	21.5	25.6	21.2	21.2	18.1
Pre-tax profit as % p.a. of average equity	13.7	8.3	9.7	13.9	17.8
Post-tax profit as % p.a. of average equity	10.7	6.4	7.8	11.2	13.9
Costs (core earnings) as % of total income	69.1	70.2	71.4	64.8	59.9
Return on assets (%)	0.6	0.4	0.4	0.7	0.9
Interest rate risk	0.5	1.0	1.3	1.2	1.6
Foreign exchange position	2.5	2.0	2.5	1.8	2.4
Foreign exchange risk	0.0	0.0	0.0	0.0	0.0
Liquidity, LCR (%)	202	231	133	172	143
Loans and advances relative to deposits	0.6	0.6	0.6	0.7	0.7
Loans and advances relative to equity	5.3	5.1	5.6	5.5	5.7
Growth in loans and advances during the period	6.7	(7.6)	(0.2)	(3.5)	(13.5)
Total large exposures	146	153	153	151	143
Accumulated impairment ratio	2.2	2.8	3.1	3.8	3.4
Impairment ratio for the period	(0.36)	0.06	(0.06)	(0.09)	(0.05)
Number of full-time staff at end of period	2,109	1,983	2,074	2,123	2,069

When calculating financial ratios AT1 capital is considered a liability regardless of the fact that it is accounted for as equity.

Reference is made to financial ratio definitions in the 2020 Annual Report (page 118).

Capital

DKKm	Share capital	Revaluation reserves	Reserves acc to articles of association*	Reserve for net revaluation acc to equity method	Retained earnings	Proposed dividend etc	Shareholders of Sydbank A/S	AT1 capital**	Minority shareholders	Total equity
Equity at 1 Jan 2021	597	104	425	2	10,336	248	11,712	757	37	12,506
Profit for the period					974		974	29	10	1,013
Other comprehensive income					59		59			59
Comprehensive income for the period	-	-	-	-	1,033	-	1,033	29	10	1,072
Transactions with owners										
Purchase of own shares					(841)		(841)			(841)
Sale of own shares					843		843			843
Interest paid on AT1 capital								(39)		(39)
Exchange rate adjustment					0		0	0		-
Dividend etc paid						(248)	(248)		(7)	(255)
Dividend, own shares					1		1			1
Dividend for 2019					(340)	340	-			-
Sale of holdings in subsidiaries									3	3
Total transactions with owners	-	-	-	-	(337)	92	(245)	(39)	(4)	(288)
Equity at 30 Sep 2021	597	104	425	2	11,032	340	12,500	747	43	13,290
Equity at 1 Jan 2020	618	116	425	4	9,451	352	10,966	760	38	11,764
Profit for the period					539		539	29	5	573
Other comprehensive income					(4)		(4)			(4)
Comprehensive income for the period	-	-	-	-	535	-	535	29	5	569
Transactions with owners										
Purchase of own shares					(557)		(557)			(557)
Sale of own shares					535		535			535
Reduction of share capital	(21)				21		-			-
Interest paid on AT1 capital								(39)		(39)
Exchange rate adjustment					2		2	(2)		-
Cancelled dividend, own shares					345	(345)	-			-
Dividend paid						(7)	(7)		(5)	(12)
Purchase of holdings in subsidiaries									(2)	(5)
Total transactions with owners	(21)	-	-	-	346	(352)	(27)	(41)	(7)	(75)
Equity at 30 Sep 2020	597	116	425	4	10,332	-	11,474	748	36	12,258

* Reserves according to the articles of association equal the undistributable savings bank reserve in accordance with Article 4 of the Articles of Association.

* AT1 capital has no maturity date. Payment of interest and repayment of principal are voluntary. Therefore AT1 capital is accounted for as equity. In May 2018 Sydbank issued EUR 100m with optional redemption on 28 August 2025. The issue carries interest at the Mid-Swap Rate + a margin of 4.62%, a total of 5.25%. Under the issue the loan will be written down if the CET1 ratio of Sydbank A/S or the Sydbank Group drops below 7%.

The Sydbank share	30 Sep 2021	31 Dec 2020	30 Sep 2020
Share capital (DKK)	596,763,200	596,763,200	596,763,200
Shares issued (number)	59,676,320	59,676,320	59,676,320
Shares outstanding at end of period (number)	59,298,021	59,286,316	59,085,218
Average number of shares outstanding (number)	59,290,789	59,034,373	58,955,304

The Bank has only one class of shares as all shares carry the same rights.

Capital

DKKm	30 Sep 2021	31 Dec 2020	30 Sep 2020
Solvency			
CET1 ratio	16.8	18.8	20.1
T1 capital ratio	18.1	20.4	21.8
Capital ratio	21.5	24.0	25.6
Total capital			
Equity, shareholders of Sydbank A/S	12,500	11,712	11,474
Not including profit for the period	(1,003)	-	(573)
Prudent valuation	(80)	(85)	(78)
Actual or contingent obligations to purchase own shares	(10)	(10)	(8)
Proposed dividend	(340)	(248)	-
Intangible assets and capitalised deferred tax assets	(373)	(420)	(199)
Significant investments in financial sector	(953)	(882)	(739)
Transitional arrangement IFRS 9	97	118	118
CET1 capital	9,838	10,185	9,995
AT1 capital – equity	744	744	745
AT1 capital – debt	56	112	111
T1 capital	10,638	11,041	10,851
T2 capital	1,802	1,745	1,747
Difference between expected losses and impairment for accounting purposes	169	166	170
Total capital	12,609	12,952	12,768
Credit risk*	39,398	33,355	30,997
Market risk	6,399	6,675	5,729
Operational risk	6,708	6,708	7,171
Other exposures incl CVA	6,114	7,302	5,946
REA	58,619	54,040	49,843
Pillar I capital requirement	4,690	4,323	3,987
* Credit risk			
Corporate clients, IRB	28,137	21,811	22,290
Retail clients, IRB	5,598	5,798	6,169
Corporate clients, STD	433	460	260
Retail clients, STD	3,214	3,476	991
Credit institutions etc	2,016	1,810	1,287
Total	39,398	33,355	30,997

Cash Flow Statement

DKKm	Q1-Q3 2021	Full year 2020	Q1-Q3 2020
Operating activities			
Pre-tax profit for the period	1,282	1,021	735
Taxes paid	(535)	(174)	(67)
<u>Adjustment for non-cash operating items:</u>			
Profit/(Loss) on holdings in associates	3	3	4
Amortisation and depreciation of intangible assets and property, plant and equipment	97	109	69
Impairment of loans and advances/guarantees	(311)	47	46
Other non-cash operating items	(40)	65	(14)
	496	1,071	773
<u>Changes in working capital:</u>			
Credit institutions and central banks	(7,295)	(1,512)	(8,501)
Trading portfolio	6,910	(558)	1,752
Other financial instruments at fair value	215	(33)	(37)
Loans and advances	(4,948)	(842)	1,034
Deposits	(1,838)	1,718	(1,424)
Other assets/liabilities	2,304	187	3,532
Cash flows from operating activities	(4,156)	31	(2,871)
Investing activities			
Purchase of holdings in associates	(24)	(29)	(5)
Sale of holdings in associates	-	0	-
Acquisition of Alm. Brand Bank	-	(1,897)	-
Purchase of holdings in subsidiaries	3	(2)	(2)
Sale of holdings in subsidiaries	-	0	-
Purchase of property, plant and equipment	(59)	(110)	(29)
Sale of property, plant and equipment	-	11	-
Cash flows from investing activities	(80)	(2,027)	(36)
Financing activities			
Purchase and sale of own holdings	2	(2)	(23)
Dividends etc	(247)	(7)	(7)
Issue of bonds	-	2,133	(2)
Cash flows from financing activities	(245)	2,124	(32)
Cash flows for the period	(4,481)	128	(2,939)
Cash and cash equivalents at 1 Jan	6,881	6,753	6,753
Cash flows for the period	(4,481)	128	(2,939)
Cash and cash equivalents at end of period	2,400	6,881	3,814
Cash and cash equivalents at end of period			
Cash and balances on demand at central banks	1,480	2,806	2,402
Fully secured cash and cash equivalent balances on demand with credit institutions and insurance companies	920	1,016	709
Unencumbered certificates of deposit	-	3,059	703
Cash and cash equivalents at end of period	2,400	6,881	3,814

Segment Reporting etc

DKKm	Banking	Asset Management	Sydbank Markets	Treasury	Other	Total
Operating segments						
Q1-Q3 2021						
Core income	2,922	279	79	-	-	3,280
Trading income	-	-	188	-	-	188
Total income	2,922	279	267	-	-	3,468
Costs, core earnings	2,120	102	119	-	54	2,395
Impairment of loans and advances etc	(311)	-	-	-	-	(311)
Core earnings	1,113	177	148	-	(54)	1,384
Investment portfolio earnings	(5)	-	-	(21)	-	(26)
Profit before non-recurring items	1,108	177	148	(21)	(54)	1,358
Non-recurring items, net	(76)	-	-	-	-	(76)
Profit before tax	1,032	177	148	(21)	(54)	1,282
Q1-Q3 2020						
Core income	2,435	210	66	-	-	2,711
Trading income	-	-	204	-	-	204
Total income	2,435	210	270	-	-	2,915
Costs, core earnings	1,816	81	110	-	39	2,046
Impairment of loans and advances etc	46	-	-	-	-	46
Core earnings	573	129	160	-	(39)	823
Investment portfolio earnings	(4)	-	-	(29)	-	(33)
Profit before non-recurring items	569	129	160	(29)	(39)	790
Non-recurring items, net	(55)	-	-	-	-	(55)
Profit before tax	514	129	160	(29)	(39)	735

Operating segments

The Group's segment statements are divided into the following business units: Banking, Asset Management, Sydbank Markets, Treasury and Other.

Banking serves all types of retail and corporate clients.

Asset Management primarily comprises the Bank's advisory-related income from customers and investment funds.

Sydbank Markets comprises trading income as well as a share of the income from customers with decentral affiliation calculated on the basis of the market price thereof. The share represents the payment by Banking for Sydbank Markets' facilities, including advisory services and administration.

Treasury comprises the Group's return on positions handled by Treasury, including liquidity allocation.

Other includes non-recurring items, costs to the Group Executive Management etc as well as return on strategic shareholdings that are not allocated to Banking or Sydbank Markets.

Inter-segment transactions are settled on an arm's length basis. Centrally incurred costs are allocated to the business units in accordance with their estimated proportionate share of overall activities.

Excess liquidity is settled primarily at short-term money market rates whereas other balances are settled on an arm's length basis.

Segment Reporting etc

DKKkm	Core income	Trading income	Costs, core earnings	Impairment of loans/ advances etc	Core earnings	Investment portfolio earnings	Non-recurring items, net	Profit before tax
Correlation between the Group's performance measures and the income statement according to IFRS								
Q1-Q3 2021								
Net interest and fee income	3,004	140			3,144	21		3,165
Market value adjustments	253	48		0	301	(42)		260
Other operating income	20				20			20
Income	3,277	188	-	-	3,465	(21)	-	3,445
Staff costs and administrative expenses			(2,274)		(2,274)	(5)	(76)	(2,356)
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment			(97)		(97)			(97)
Other operating expenses			(24)		(24)			(24)
Impairment of loans and advances etc				311	311			311
Profit/(Loss) on holdings in associates and subsidiaries	3				3			3
Profit before tax	3,280	188	(2,395)	311	1,384	(26)	(76)	1,282
Q1-Q3 2020								
Net interest and fee income	2,496	174			2,670	(40)		2,630
Market value adjustments	197	30		0	227	12		239
Other operating income	12				12			12
Income	2,705	204	-	0	2,909	(28)	-	2,881
Staff costs and administrative expenses			(1,959)		(1,959)	(5)	(55)	(2,019)
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment			(69)		(69)			(69)
Other operating expenses			(18)		(18)			(18)
Impairment of loans and advances etc				(46)	(46)			(46)
Profit/(Loss) on holdings in associates and subsidiaries	6				6			6
Profit before tax	2,711	204	(2,046)	(46)	823	(33)	(55)	735

The Sydbank Group's internal financial reporting is not made on the basis of products and services. Reference is made to notes 2 and 4 for the distribution of interest income as well as fee and commission income.

Notes

Note 1

Accounting policies

The interim report covers the period from 1 January to 30 September 2021 and is prepared in compliance with IAS 34 "Interim Financial Reporting" as adopted by the EU and in compliance with Danish disclosure requirements for interim reports of listed financial companies. As a result of the use of IAS 34, the presentation is less complete compared with the presentation of an annual report and the recognition and measurement principles are in compliance with IFRS.

The accounting policies are consistent with those adopted in the 2020 Annual Report, to which reference is made.

The 2020 Annual Report provides a comprehensive description of the accounting policies applied.

Accounting estimates and judgements

The measurement of certain assets and liabilities requires that management makes accounting estimates as to how future events will affect the value of such assets, liabilities, income and costs. Actual results may deviate from such estimates.

The significant estimates made by management in the use of the Group's accounting policies and the inherent considerable uncertainty of such estimates used in the preparation of the interim report are identical to those used in the preparation of the 2020 Annual Report.

Impairment of loans and advances and provisions for guarantees and undrawn credit commitments are made to take into account the expected losses on conclusion as well as any credit impairment after initial recognition. The determination of impairment charges for expected losses is subject to a number of estimates, including which loans and advances or portfolios of loans and advances are subject to credit impairment as well as calculation of expected losses.

Assessing the degree of credit impairment of exposures involves a number of estimates which may be subject to uncertainty.

To a large extent the determination of expected losses at exposure level is based on risk registrations, models and past experience but it also involves a number of estimates of risks and expected developments in the individual exposure, including the future ability to pay and the value of collateral which in particular comprises mortgages on property. During periods of uncertain economic trends or significant demographic or structural changes uncertainty is greater. This is reflected in the need for management adjustments that by their nature are subject to uncertainty.

The Group's models to calculate impairment of exposures in stages 1 and 2 include expectations as to economic developments. The outlook is based on estimates of the probability of different outcomes of economic growth. The outlook results in a determination of the probability of the scenarios baseline, upturn and downturn. At 30 September 2021 the probability of the downturn scenario was fixed at 95% (2020: 95%).

Impairment of exposures in stage 3 and the weakest part of stage 2 is based on individual assessments which include expectations of future changes in collateral value etc.

In addition to the calculated impairment charges management estimates whether special impairment charges as regards severely impacted industries or customer segments etc are needed.

At 30 September 2021 a collective impairment charge of DKK 325m (31 December 2020: DKK 325m) was recognised to cover losses as a result of the economic consequences of covid-19 and therefore the estimate may change in the coming quarters.

The Group's significant risks and the external elements which may affect the Group are described in greater detail in the 2020 Annual Report.

Notes

DKKm	Q1-Q3 2021	Q1-Q3 2020	Q3 2021	Q3 2020
Note 2				
Interest income calculated using the effective interest method				
Amounts owed by credit institutions and central banks	22	20	14	7
Loans and advances and other amounts owed	1,191	1,146	381	364
Other interest income	1	5	0	1
Interest on amounts owed to credit institutions*	4	0	2	0
Interest on deposits*	319	192	124	67
Total	1,537	1,363	521	439
Other interest income				
Repo transactions with credit institutions and central banks and repo deposits*	24	21	7	5
Bonds	89	83	20	30
Total derivatives	107	80	37	31
comprising:				
Foreign exchange contracts	20	3	5	1
Interest rate contracts	87	77	32	30
Total	220	184	64	66
Total interest income	1,757	1,547	585	505
* Negative interest expense				
Fair value, designated at initial recognition	24	21	7	5
Fair value, held for trading	196	163	57	61
Assets recognised at amortised cost	1,537	1,363	521	439
Total	1,757	1,547	585	505

The Group's cash resources are primarily placed in Danish mortgage bonds. The interest rate risk concerning these positions has been reduced via derivatives. As a result the Group's external income statement is affected in terms of interest income and the market value adjustment of bonds and derivatives. The same applies to the Group's position-taking as regards bonds as well as shares. The breakdown by income statement item does not disclose income independently and consequently these items must be regarded as one as they are in "Segment reporting" as well as in the Group's financial review, which also takes funding of the positions into account.

Notes

DKKm	Q1-Q3 2021	Q1-Q3 2020	Q3 2021	Q3 2020
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Note 3

Interest expense

Reverse transactions with credit institutions and central banks and reverse loans and advances*	72	82	25	21
Amounts owed to credit institutions and central banks	2	4	0	0
Deposits and other debt	43	86	8	27
Bonds*	12	6	4	1
Bonds issued	96	82	32	27
Interest on amounts owed by credit institutions and central banks*	79	62	38	24
Subordinated capital	19	20	7	7
Other interest expense	3	2	1	0
Total	326	344	115	107

* Negative interest income

Fair value, designated at initial recognition	72	82	25	21
Fair value, held for trading	12	6	4	1
Liabilities recognised at amortised cost	242	256	86	85
Total	326	344	115	107

Note 4

Fee and commission income

Securities trading and custody accounts	653	549	196	174
Advisory fee, asset management	307	226	103	76
Payment services	228	203	86	68
Loan fees	153	145	43	49
Guarantee commission	122	109	44	36
Income concerning funded mortgage-like loans	70	88	24	26
Other fees and commission	412	309	136	103
Total fee and commission income	1,945	1,629	632	532
Fee expense, asset management	8	8	3	3
Other fee and commission expense	223	219	74	70
Total fee and commission expense	231	227	77	73
Net fee and commission income	1,714	1,402	555	459

Except for guarantee commission recognised according to IFRS 9, fee and commission income is recognised according to IFRS 15. The set-off of loss concerning arranged mortgage loans represented DKK 10m in Q1-Q3 2021 (Q1-Q3 2020: DKK 7m) and has been deducted from commission received which is included under other fees and commission.

Notes

DKKm	Q1-Q3 2021	Q1-Q3 2020	Q3 2021	Q3 2020
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Note 5

Market value adjustments

Other loans and advances and amounts owed at fair value	24	2	11	0
Bonds	(44)	(5)	33	37
Shares etc	132	86	47	34
Foreign exchange	150	121	52	39
Total derivatives	(2)	35	(45)	(3)
Assets related to pooled plans	1,197	(558)	103	359
Deposits in pooled plans	(1,197)	558	(103)	(359)
Other assets/liabilities	0	0	0	0
Total	260	239	98	107

Note 6

Staff costs and administrative expenses

Salaries and remuneration:				
Group Executive Management	16	13	5	4
Board of Directors	5	5	2	2
Shareholders' Committee	2	2	1	1
Total	23	20	8	7
Staff costs:				
Wages and salaries	1,105	929	317	284
Pensions	118	93	38	32
Social security contributions	13	11	5	3
Payroll tax	143	134	39	42
Total	1,379	1,167	399	361
Other administrative expenses:				
IT	634	553	207	179
Rent etc	58	67	20	21
Marketing and entertainment expenses	55	50	26	22
Other costs	207	162	70	29
Total	954	832	323	251
Total	2,356	2,019	730	619

Note 7

Staff

Average number of staff (full-time equivalent)	2,184	2,025	2,149	2,019
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Notes

DKKm	Q1-Q3 2021	Q1-Q3 2020	Q3 2021	Q3 2020
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Note 8

Other operating expenses

Contribution to the Resolution Fund	22	18	7	6
Other expenses	2	0	2	0
Total	24	18	9	6

Note 9

Impairment of loans and advances recognised in the income statement

Impairment charges and provisions	(255)	23	(93)	(33)
Write-offs	38	95	21	60
Recovered from debt previously written off	94	72	34	23
Impairment of loans and advances etc	(311)	46	(106)	4

Impairment and provisions at end of period (allowance account)

Stage 1	314	156	314	156
Stage 2	650	520	650	520
Stage 3	650	1,218	650	1,218
Management estimates	325	225	325	225
Impairment and provisions at end of period	1,939	2,119	1,939	2,119

Impairment charges and provisions

Impairment and provisions at 1 Jan	2,229	2,244	2,008	2,183
New impairment charges and provisions during the period, net	(53)	57	91	(22)
Impairment charges previously recorded, now finally written off	237	182	160	42
Impairment and provisions at end of period	1,939	2,119	1,939	2,119

Impairment of loans and advances	1,779	1,951	1,779	1,951
Provisions for undrawn credit commitments	52	52	52	52
Provisions for guarantees	108	116	108	116
Impairment and provisions at end of period	1,939	2,119	1,939	2,119

Losses recognised for the period constitute DKK 275m. As regards losses recognised for the period a legal claim of DKK 186m has been upheld. As regards losses recognised a legal claim of DKK 440m has been upheld at year-end 2020.

Notes

DKKm	Loans/advances and guarantees		Impairment charges and provisions		Impairment of loans and advances etc for the period		Loss for the period	
	30 Sep	31 Dec	30 Sep	31 Dec	Q1-Q3	Q1-Q3	Q1-Q3	Q1-Q3
	2021	2020	2021	2020	2021	2020	2021	2020
Note 9 - continued								
Loans and advances and guarantees as well as impairment of loans and advances etc by industry								
Agriculture, hunting, forestry and fisheries	4,057	3,728	200	413	(219)	(171)	92	70
<i>Pig farming</i>	806	798	27	45	(5)	(87)	46	0
<i>Cattle farming</i>	1,288	960	101	134	(53)	(38)	38	43
<i>Crop production</i>	906	889	36	63	(33)	(34)	1	11
<i>Other agriculture</i>	1,057	1,081	36	171	(128)	(12)	7	16
Manufacturing and extraction of raw materials	9,772	9,446	264	317	(82)	78	5	40
Energy supply etc	2,862	2,924	20	18	2	3	0	0
Building and construction	5,363	4,589	139	133	5	33	1	12
Trade	15,383	11,930	359	397	5	164	43	100
Transportation, hotels and restaurants	3,399	2,979	103	74	20	30	0	3
Information and communication	450	699	6	6	1	(5)	0	0
Finance and insurance	6,447	5,869	80	85	17	3	2	7
Real property	5,764	5,748	100	152	(39)	(43)	84	0
<i>Leasing of commercial property</i>	2,031	2,191	5	105	(15)	(22)	57	0
<i>Leasing of residential property</i>	1,051	953	23	28	(12)	(16)	4	0
<i>Housing associations and cooperative housing associations</i>	1,684	1,028	13	8	5	2	0	0
<i>Purchase, development and sale on own account</i>	949	1,488	57	9	(17)	(7)	23	0
<i>Other related to real property</i>	49	88	2	2	0	0	0	0
Other industries	3,944	3,725	158	112	42	27	0	2
Total corporate	57,441	51,637	1,429	1,707	(248)	119	227	234
Public authorities	119	37	0	0	-	-	-	-
Retail	28,895	30,081	510	522	(63)	(73)	48	43
Total	86,455	81,755	1,939	2,229	(311)	46	275	277

Notes

DKKm	Q1-Q3 2021	Q1-Q3 2020	Q3 2021	Q3 2020
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Note 10

Profit/(Loss) on holdings in associates and subsidiaries

Profit/(Loss) on holdings in associates etc	3	6	0	2
Total	3	6	0	2

Note 11

Effective tax rate

Current tax rate of Sydbank	22.0	22.0	22.0	22.0
Permanent differences	(0.9)	0.0	(2.3)	0.0
Adjustment of prior year tax charges	(0.1)	0.0	0.0	0.0
Effective tax rate	21.0	22.0	19.7	22.0

DKKm	30 Sep 2021	31 Dec 2020	30 Sep 2020
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Note 12

Amounts owed by credit institutions and central banks

Amounts owed at notice by central banks	8,455	10,288	6,131
Amounts owed by credit institutions	9,159	4,140	8,873
Total	17,614	14,428	15,004
Of which reverse transactions	5,216	2,835	4,638

Notes

DKKm	Stage 1	Stage 2	Stage 3	Credit impaired at initial recognition	30 Sep 2021 Total	31 Dec 2020 Total
Note 13						
Loans and advances, guarantees and allowance account by stage						
Loans and advances before impairment charges	61,236	3,553	1,160	164	66,113	62,278
Guarantees	19,754	466	30	92	20,342	19,477
Total loans and advances and guarantees	80,990	4,019	1,190	256	86,455	81,755
%	93.7	4.6	1.4	0.3	100.0	100.0
Impairment of loans and advances	404	787	588		1,779	2,049
Provisions for undrawn credit commitments	27	20	5		52	55
Provisions for guarantees	15	36	57		108	125
Total allowance account	446	843	650	-	1,939	2,229
Allowance account at 1 Jan	512	680	1,037		2,229	2,244
New impairment charges and provisions during the period, net	(66)	163	(150)		(53)	24
Additions concerning portfolio acquired						200
Impairment charges previously recorded, now finally written off	-	-	(237)		(237)	(239)
Total allowance account at end of period	446	843	650	-	1,939	2,229
Impairment charges as % of loans and advances	0.7	22.2	50.7	-	2.7	3.3
Provisions as % of guarantees	0.1	7.7	190.0	-	0.5	0.6
Allowance account as % of loans and advances and guarantees	0.6	21.0	54.6	-	2.2	2.7
Loans and advances before impairment charges	61,236	3,553	1,160	164	66,113	62,278
Impairment of loans and advances	404	787	588	-	1,779	2,049
Loans and advances after impairment charges	60,832	2,766	572	164	64,334	60,229
%	94.5	4.3	0.9	0.3	100.0	100.0

Notes

DKKm	Stage 1	Stage 2	Stage 3	Credit impaired at initial recognition	30 Sep 2021 Total	31 Dec 2020 Total
Note 13 - continued						
Loans and advances before impairment charges						
Rating category						
1	5,562	5			5,567	5,299
2	17,653	18			17,671	16,565
3	18,668	33			18,701	16,033
4	9,688	36			9,724	7,996
5	3,772	618			4,390	4,648
6	1,797	532			2,329	1,827
7	42	263			305	578
8		326			326	394
9		1,602			1,602	2,765
Default		8	1,141		1,149	615
NR/STD	4,054	112	19	164	4,349	5,558
Total	61,236	3,553	1,160	164	66,113	62,278
Impairment of loans and advances						
Rating category						
1	1				1	1
2	76	1			77	67
3	46				46	39
4	89	1			90	71
5	36	46			82	74
6	28	43			71	52
7	2	65			67	102
8		79			79	95
9		494	1		495	965
Default			579		579	343
NR/STD	126	58	8		192	240
Total	404	787	588		1,779	2,049
Loans and advances after impairment charges						
Rating category						
1	5,561	5			5,566	5,298
2	17,577	17			17,594	16,498
3	18,622	33			18,655	15,994
4	9,599	35			9,634	7,925
5	3,736	572			4,308	4,574
6	1,769	489			2,258	1,775
7	40	198			238	476
8		247			247	299
9		1,108	(1)		1,107	1,800
Default		8	562		570	272
NR/STD	3,928	54	11	164	4,157	5,318
Total	60,832	2,766	572	164	64,334	60,229

Notes

DKKm	Stage 1	Stage 2	Stage 3	Credit impaired at initial recognition	30 Sep 2021 Total	31 Dec 2020 Total
Note 13 – continued						
Loans and advances before impairment charges						
1 Jan	56,621	3,440	1,916	301	62,278	62,616
Transfers between stages						
Additions concerning portfolio acquired						4,306
Transferred to stage 1	822	(684)	(138)			
Transferred to stage 2	(927)	1,257	(330)			
Transferred to stage 3	(75)	(264)	339			
New exposures	12,216	501	581		13,298	14,286
Redeemed exposures	(8,739)	(452)	(840)		(10,031)	(12,299)
Changes in balances	1,318	(245)	(93)	(137)	843	(6,203)
Write-offs			(275)		(275)	(428)
End of period	61,236	3,553	1,160	164	66,113	62,278
Impairment of loans and advances						
1 Jan	466	639	944		2,049	2,062
Transfers between stages						
Additions concerning portfolio acquired						191
Transferred to stage 1	167	(111)	(56)			
Transferred to stage 2	(10)	124	(114)			
Transferred to stage 3	(1)	(65)	66			
New exposures	115	189	483		787	373
Redeemed exposures	(156)	(79)	(548)		(783)	(262)
Changes in balances	(177)	90	50		(37)	(79)
Write-offs			(237)		(237)	(236)
End of period	404	787	588		1,779	2,049
Loans and advances after impairment charges						
1 Jan	56,155	2,801	972	301	60,229	60,554
Transfers between stages						
Additions concerning portfolio acquired						4,115
Transferred to stage 1	655	(573)	(82)			
Transferred to stage 2	(917)	1,133	(216)			
Transferred to stage 3	(74)	(199)	273			
New exposures	12,101	312	98		12,511	13,913
Redeemed exposures	(8,583)	(373)	(292)		(9,248)	(12,037)
Changes in balances	1,495	(335)	(143)	(137)	880	(6,124)
Write-offs			(38)		(38)	(192)
End of period	60,832	2,766	572	164	64,334	60,229

Notes

DKKm	30 Sep 2021	31 Dec 2020	30 Sep 2020
Note 14			
Other assets			
Positive market value of derivatives etc	3,538	4,762	4,956
Sundry debtors	1,069	1,198	954
Interest and commission receivable	114	167	118
Cash collateral provided, CSA agreements	1,596	2,043	2,065
Other assets	0	0	0
Total	6,317	8,170	8,093
Note 15			
Amounts owed to credit institutions and central banks			
Amounts owed to central banks	1	13	1
Amounts owed to credit institutions	6,139	7,080	6,048
Total	6,140	7,093	6,049
Of which repo transactions	2,821	2,483	3,128
Note 16			
Deposits and other debt			
On demand	86,247	87,338	77,975
At notice	162	252	152
Time deposits	3,583	3,732	1,209
Special categories of deposits	4,088	4,597	3,536
Total	94,080	95,919	82,872
Of which repo transactions	2,813	3,456	1,071
Note 17			
Other liabilities			
Negative market value of derivatives etc	3,755	4,884	5,069
Sundry creditors	4,832	4,735	5,324
Negative portfolio, reverse transactions	8,867	7,941	10,072
Lease liability	78	106	64
Interest and commission etc	65	83	51
Cash collateral received, CSA agreements	536	716	610
Total	18,133	18,465	21,190

Notes

DKKm	30 Sep 2021	31 Dec 2020	30 Sep 2020
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Note 18

Provisions

Provisions for pensions and similar obligations	3	6	3
Provisions for deferred tax	306	306	291
Provisions for guarantees	127	161	116
Other provisions*	54	56	52
Total	490	529	462

* Other provisions mainly concern provisions for onerous contracts and legal actions.

Note 19

Subordinated capital

Interest rate	Note		Nominal (m)	Maturity			
2.125 (fixed)	1)	Bond loan	EUR 100	11 Mar 2027	743	743	743
1.306 (floating)	2)	Bond loan	EUR 75	2 Nov 2029	556	556	557
0.393 (floating)	3)	Bond loan	EUR 75	Perpetual	558	558	558
Total T2 capital					1,857	1,857	1,858
Total subordinated capital					1,857	1,857	1,858

1) Optional redemption from 11 March 2022 after which the interest rate will be fixed at 1.72% above 5Y Mid-Swap.

2) Optional redemption from 2 November 2024 after which the interest rate will be fixed at 1.85% above 3M EURIBOR.

3) The interest rate follows the 10Y Mid-Swap plus a margin of 0.2%.

Costs relating to the raising and redemption of subordinated capital	0	0	0
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Note 20

Contingent liabilities and other obligating agreements

Contingent liabilities

Financial guarantees	6,909	5,054	5,904
Mortgage finance guarantees	5,180	5,135	3,793
Funded mortgage-like loan guarantees	1,014	1,197	1,318
Registration and remortgaging guarantees	5,550	6,157	3,727
Other contingent liabilities	1,689	1,934	1,787
Total	20,342	19,477	16,529

Other obligating agreements

Irrevocable credit commitments	887	1,369	1,222
Other liabilities	11	8	12
Total	898	1,377	1,234

Notes

DKKm	30 Sep 2021	31 Dec 2020	30 Sep 2020
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Note 20 – continued

Totalkredit loans arranged for by Sydbank are comprised by an agreed right of set-off against future current commission which Totalkredit may invoke in the event of losses on the loans arranged.

Sydbank does not expect that this set-off will have a significant effect on Sydbank's financial position.

As a result of the Bank's membership of Bankdata, the Bank will be obligated to pay an exit charge in the event of exit.

As a result of the statutory participation in the deposit guarantee scheme, the industry paid an annual contribution of 2.5‰ of covered net deposits until the Banking Department's capital exceeded 1% of total covered net deposits, which was reached at year-end 2015. The Banking Department will cover the direct losses in connection with the winding-up of distressed financial institutions under Bank Package III and Bank Package IV which are attributable to covered net deposits. Any losses as a result of the final winding-up will be covered by the Guarantee Fund via the Winding-up and Restructuring Department as regards which Sydbank is currently liable for 7.1% of any losses.

As a result of the statutory participation in the resolution financing arrangement (the Resolution Fund), credit institutions pay an annual contribution over a 10-year period to reach a target funding level totalling 1% of covered deposits. Credit institutions must make contributions to the fund according to their relative size and risk in Denmark. Sydbank expects that contributions will total approximately DKK 200m over a 10-year period.

The Group is party to legal actions. These legal actions are under continuous review and the necessary provisions made are based on an assessment of the risk of loss. Pending legal actions are not expected to have any significant effect on the financial position of the Group.

Note 21

Collateral

At 30 September 2021 the Group had deposited as collateral securities at a market value of DKK 166m with Danish and foreign exchanges and clearing centres etc in connection with margin calls and securities settlements etc. In addition the Group has provided cash collateral of DKK 1,596m and deposited as collateral securities at a market value of DKK 205m in connection with CSA agreements.

In connection with repo transactions, which involve selling securities to be repurchased at a later date, the securities remain on the balance sheet and consideration received is recognised as a debt. Repo transaction securities are treated as assets provided as collateral for liabilities. Counterparties are entitled to sell the securities or deposit them as collateral for other loans.

In connection with reverse transactions, which involve purchasing securities to be resold at a later date, the Group is entitled to sell the securities or deposit them as collateral for other loans. The securities are not recognised in the balance sheet and consideration paid is recognised as a receivable.

Assets received as collateral in connection with reverse transactions may be sold to a third party. In such cases a negative portfolio may arise as a result of the accounting rules. This is recognised under "Other liabilities".

Assets sold as part of repo transactions

Bonds at fair value	5,578	5,930	4,188
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Assets purchased as part of reverse transactions

Bonds at fair value	24,198	21,029	20,993
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Notes

DKKm	Q1-Q3 2021	Q1-Q3 2020	Index 21/20	31 Dec 2020
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Note 22

Related parties

Sydbank is the bank of a number of related parties. Transactions with related parties are settled on an arm's length basis.

No unusual transactions took place with related parties in Q1-Q3 2021. Reference is made to the Group's 2020 Annual Report for a detailed description of related party transactions.

Note 23

Reporting events occurring after the balance sheet date

After the expiry of Q3 no matters of significant impact on the financial position of the Sydbank Group have occurred.

Note 24

Large shareholders

Silchester International Investors LLP, London, owns more than 10.0% of the total share capital of Sydbank A/S.

Note 25

Core income

Net interest etc	1,306	1,104	118	1,476
Mortgage credit*	522	445	117	607
Payment services	151	111	136	152
Remortgaging and loan fees	129	128	101	172
Commission and brokerage	338	271	125	372
Commission etc investment funds and pooled pension plans	255	209	122	278
Asset management	279	210	133	288
Custody account fees	77	58	133	88
Other operating income	223	175	127	237
Total	3,280	2,711	121	3,670

* Mortgage credit

Totalkredit cooperation	417	362	115	493
Totalkredit, set-off of loss	10	7	143	13
Totalkredit cooperation, net	407	355	115	480
DLR Kredit	113	89	127	126
Other mortgage credit income	2	1	200	1
Total	522	445	117	607

Notes

DKKkm	Mandatory fair value (trading portfolio)	Fair value option	FVOCI	Total fair value	30 Sep 2021 AMC
Note 26					
Fair value disclosure					
Financial instruments are included in the balance sheet either at fair value or at amortised cost. The table below breaks down financial instruments by valuation technique.					
Financial assets					
Cash and balances on demand at central banks				-	1,480
Amounts owed by credit institutions and central banks	5,216			5,216	12,398
Loans and advances at fair value	19,114			19,114	-
Loans and advances at amortised cost				-	64,334
Bonds at fair value	12,969	16,804		29,773	-
Shares etc	247	2,152	220	2,619	-
Assets related to pooled plans		20,944		20,944	-
Land and buildings			1,182	1,182	-
Other assets	3,565	22		3,587	2,730
Total	41,111	39,922	1,402	82,435	80,942
Undrawn credit commitments				-	53,231
Maximum credit risk, collateral not considered	41,111	39,922	1,402	82,435	134,173
Financial liabilities					
Amounts owed to credit institutions and central banks	2,821			2,821	3,319
Deposits and other debt	2,813			2,813	91,267
Deposits in pooled plans		20,944		20,944	-
Bonds issued at amortised cost				-	9,590
Other liabilities	12,625			12,625	583
Subordinated capital				-	1,857
Total	18,259	20,944	-	39,203	106,616

Notes

DKKm	Mandatory fair value (trading portfolio)	Fair value option	FVOCI	Total fair value	31 Dec 2020 AMC
Note 26 - continued					
Financial assets					
Cash and balances on demand at central banks				-	2,806
Amounts owed by credit institutions and central banks	2,835			2,835	11,593
Loans and advances at fair value	17,961			17,961	-
Loans and advances at amortised cost				-	60,229
Bonds at fair value	20,536	16,406		36,942	-
Shares etc	147	2,117	145	2,409	-
Assets related to pooled plans		19,773		19,773	-
Land and buildings			1,180	1,180	-
Other assets	4,817	45		4,862	2,110
Total	46,296	38,341	1,325	85,962	76,738
Undrawn credit commitments				-	51,967
Maximum credit risk, collateral not considered	46,296	38,341	1,325	85,962	128,705
Financial liabilities					
Amounts owed to credit institutions and central banks	2,483			2,483	4,610
Deposits and other debt	3,456			3,456	92,463
Deposits in pooled plans		19,773		19,773	-
Bonds issued at amortised cost				-	9,563
Other liabilities	12,828			12,828	797
Subordinated capital				-	1,857
Total	18,767	19,773	-	38,540	109,290

To take into account changes in credit risk concerning derivatives with positive fair value, an adjustment is made – CVA. CVA is a function of the risk of counterparty default (PD), the expected positive exposure and the loss ratio in the event of default. PD is determined on the basis of the Group's credit models – default probability in 12 months. PD beyond 12 months is adjusted on the basis of market data of exposures with a similar PD level. At 30 September 2021 CVA constituted DKK 18m compared to DKK 19m at year-end 2020.

Client margins recognised in connection with derivatives are amortised over the life of the transaction. At 30 September 2021 client margins presently not recognised as income totalled DKK 18m compared to DKK 21m at year-end 2020.

Financial instruments recognised at fair value

Measurement of financial instruments is based on quoted prices from an active market, on generally accepted valuation models with observable market data or on available data that only to a limited extent are observable market data.

Measurement of financial instruments for which prices are quoted in an active market or which is based on generally accepted valuation models with observable market data is not subject to significant estimates.

As regards financial instruments where measurement is based on available data that only to a limited extent are observable market data, measurement is subject to estimates. Such financial instruments appear from the column unobservable inputs below and include primarily unlisted shares, including shares in DLR Kredit A/S.

The fair value of unlisted shares and other holdings is calculated on the basis of available information on trades etc – including to a very significant extent on shareholders' agreements based on book value. To an insignificant extent fair value is calculated on the basis of expected cash flows.

A 10% change in the calculated market value of financial assets measured on the basis of unobservable inputs will affect profit before tax by DKK 330m (31 December 2020: DKK 327m).

Notes

DKKm	Quoted prices	Observable inputs	Unobservable inputs	Total fair value	Carrying amount
Note 26 - continued					
30 Sep 2021					
Financial assets					
Amounts owed by credit institutions and central banks		5,216		5,216	5,216
Loans and advances at fair value		19,114		19,114	19,114
Bonds at fair value		29,773		29,773	29,773
Shares etc	459	39	2,121	2,619	2,619
Assets related to pooled plans	14,373	6,571		20,944	20,944
Land and buildings			1,182	1,182	1,182
Other assets	277	3,310		3,587	3,587
Total	15,109	64,023	3,303	82,435	82,435
Financial liabilities					
Amounts owed to credit institutions and central banks		2,821		2,821	2,821
Deposits and other debt		2,813		2,813	2,813
Deposits in pooled plans		20,944		20,944	20,944
Other liabilities	266	12,359		12,625	12,625
Total	266	38,937	-	39,203	39,203
31 Dec 2020					
Financial assets					
Amounts owed by credit institutions and central banks		2,835		2,835	2,835
Loans and advances at fair value		17,961		17,961	17,961
Bonds at fair value		36,942		36,942	36,942
Shares etc	298	19	2,092	2,409	2,409
Assets related to pooled plans	8,785	10,988		19,773	19,773
Land and buildings			1,180	1,180	1,180
Other assets	442	4,420		4,862	4,862
Total	9,525	73,165	3,272	85,962	85,962
Financial liabilities					
Amounts owed to credit institutions and central banks		2,483		2,483	2,483
Deposits and other debt		3,456		3,456	3,456
Deposits in pooled plans		19,773		19,773	19,773
Other liabilities	403	12,425		12,828	12,828
Total	403	38,137	-	38,540	38,540

DKKm	30 Sep 2021	31 Dec 2020	30 Sep 2020
Assets measured on the basis of unobservable inputs			
Carrying amount at 1 Jan	2,092	1,863	1,863
Additions	38	157	3
Disposals	113	46	46
Market value adjustment	104	118	79
Carrying amount at end of period	2,211	2,092	1,899
Recognised in profit for the period			
Dividend	17	18	18
Market value adjustment	104	117	79
Total	121	135	97

Notes

DKKm	30 Sep 2021	31 Dec 2020	30 Sep 2020
Note 27			
Leverage ratio			
Leverage ratio exposures			
Total assets	164,535	165,800	151,115
Of which pooled assets	(20,944)	(19,773)	(19,001)
Correction derivatives etc	15,256	5,878	11,012
Guarantees etc	20,342	19,477	16,529
Undrawn credit commitments etc	11,638	10,449	11,406
Other adjustments	(2,004)	(1,310)	(721)
Total	188,823	180,521	170,340
T1 capital – current (transitional rules)	10,638	11,041	10,851
T1 capital – fully loaded	10,484	10,930	10,739
Leverage ratio (%) – current (transitional rules)	5.6	6.1	6.4
Leverage ratio (%) – fully loaded	5.6	6.1	6.3

30 Sep 2021	Activity	Share capital (m)	Equity (DKKm)	Profit/ (Loss) (DKKm)	Ownership share (%)	
Note 28						
Group holdings and enterprises						
Sydbank A/S		DKK	597			
Consolidated subsidiaries						
Syd ABB A/S	Invt & admin.	DKK	1,021	97	(3)	100
Ejendomsselskabet AB ApS i likvidation, Copenhagen	Real property	DKK	1	14	0	100
Ejendomsselskabet af 1. juni 1986 A/S, Aabenraa	Real property	DKK	11	18	6	100
Syd Administration A/S, Aabenraa	Invt & admin.	DKK	300	2,031	1	100
Syd Fund Management A/S, Aabenraa	Administration	DKK	100	129	29	67
Held for sale						
Green Team Group A/S, Sønder Omme*	Wholesale	DKK	101	33	26	100
Holdings in associates						
Foreningen Bankdata, Fredericia*	IT	DKK	472	476	(55)	36
Komplementarselskabet Core Property Management A/S, Copenhagen*	Real property	DKK	1	16	2	20
Core Property Management P/S, Copenhagen*	Real property	DKK	5	63	32	20
Opendo A/S, Copenhagen*	Leasing	DKK	1	70	(16)	28

* Financial information according to the companies' most recently published annual reports (2020).

Management Statement

We have reviewed and approved the Interim Report – Q1-Q3 2021 of Sydbank A/S.

The consolidated interim financial statements are prepared in accordance with IAS 34 “Interim Financial Reporting” as approved by the EU. Furthermore the interim financial statements (of the parent company) are prepared in compliance with Danish disclosure requirements for interim reports of listed financial companies. Furthermore the consolidated financial statements are prepared in compliance with Danish disclosure requirements for listed financial companies.

The Interim Report has not been audited or reviewed.

In our opinion the interim financial statements give a true and fair view of the Group’s and the parent company’s assets, equity and liabilities and financial position at 30 September 2021 and of the results of the Group’s and the parent company’s operations and consolidated cash flows for the period 1 January – 30 September 2021.

Moreover it is our opinion that the management’s review includes a fair review of the developments in the Group’s and the parent company’s operations and financial position as well as a description of the most significant risks and elements of uncertainty which may affect the Group and the parent company.

Aabenraa, 27 October 2021

Group Executive Management

Karen Frøsig
CEO

Henning Dam

Bjarne Larsen

Jørn Adam Møller

Board of Directors

Lars Mikkelsen-Jensen
Chairman

Jacob Chr. Nielsen
Vice-Chairman

Carsten Andersen

Henrik Hoffmann

Søren Holm

Kim Holmer

Janne Moltke-Leth

Jarl Oxlund

Gitte Poulsen

Susanne Schou

Jon Stefansson

Jørn Krogh Sørensen

Supplementary Information

Financial calendar

In 2021 and 2022 the Group's preliminary announcement of financial statements will be released as follows:

- Announcement of the 2021 Financial Statements
2 March 2022
- Annual General Meeting 2022
24 March 2022
- Interim Report - Q1 2022
4 May 2022
- Interim Report - First Half 2022
24 August 2022
- Interim Report - Q1-Q3 2022
2 November 2022

Sydbank contacts

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Relevant links

sydbank.dk
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For further information reference is made to Sydbank's 2020 Annual Report at www.sydbank.com.