

## Sydbank's Interim Report – Q1-Q3 2020

### Better than expected income raises profit expectations for 2020

#### Q1-Q3 2020 – highlights

- Profit of DKK 573m equals a return on equity of 6.4% p.a. after tax.
- Core income of DKK 2,711m is 1% lower compared to the same period in 2019.
- Costs (core earnings) are 2% lower compared to the same period in 2019 and constitute DKK 2,046m.
- Impairment charges for loans and advances represent an expense of DKK 46m compared with an income of DKK 49m in the same period in 2019.
- Total credit intermediation amounts to DKK 142.7bn – an increase of DKK 1.5bn in Q3 2020.
- The CET1 ratio has risen by 2.3 percentage points compared to 31 December 2019 and constitutes 20.1% excluding profit for the period.

#### We are undertaking a number of initiatives to strengthen:

- our retail banking activities – by acquiring Alm. Brand Bank A/S
- our earnings – via new terms and conditions for deposit products
- proximity – via an expansion of Sydbank's decentralised organisation
- Sydbank's position – Denmark's corporate bank – via a comprehensive campaign.

#### Acquisition of Alm. Brand Bank A/S

By acquiring Alm. Brand Bank, Sydbank first and foremost strengthens its retail banking activities and not least its presence in the Copenhagen area. The acquisition is proof that Sydbank strives to be part of bank consolidations between friendly parties. Moreover it shows that the Bank is interested in forming visionary partnerships to create value for customers and partners.

#### New terms and conditions for deposit products

As a consequence of monetary policy in the EU as well as in Denmark the negative interest rate environment is expected to continue for a long time and banks' earnings are squeezed by it. Sydbank wants to continue providing good and value-adding customer advice and consequently it is necessary to ensure that the expense relating to deposits does not strain the Bank. The terms and conditions for retail clients will be adjusted so that the amount limit on deposit accounts that can be exempted from negative interest will change from DKK 250,000 to DKK 100,000. As regards corporate clients the interest rate on deposits will be changed from minus 0.60% to minus 0.75%. This represents a market consistent solution.

#### Expansion of Sydbank's decentralised organisation

Sydbank will increase its local roots and thereby its closeness to customers by expanding its regional presence. The number of Danish regions will be increased from 9 to 12 and at the same time we will boost our regions by relocating young customers and by adding to the number of experts in each region.

#### Denmark's corporate bank – comprehensive campaign

Sydbank's strengths in the corporate area are significant. In collaboration with our customers we will focus our efforts on increasing market awareness of Sydbank's strengths and competences. Sydbank – Denmark's corporate bank.

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

- It is good news that profit for Q3 is better than expected earlier this year. Consequently we can revise our expectations for the year's profit after tax to being in the range of DKK 700-800m. Trading income, costs (core earnings) and impairment charges for loans and advances are better than expected in connection with the most recent quarterly report.

Board chairman Lars Mikkjelgaard-Jensen on the acquisition of Alm. Brand Bank A/S:

- We are pleased with the acquisition of Alm. Brand Bank and look forward to taking over its activities, which will predominantly bolster Sydbank's retail banking activities. The acquisition will be advantageous to customers, shareholders and employees and will contribute to executing our strategy – **"A stronger bank"**.

## **Outlook for 2020**

- Significant negative growth is projected for the Danish economy in 2020.
- Profit after tax is expected to be in the range of DKK 700-800m.
- In light of the coronavirus crisis the outlook for 2020 is subject to greater uncertainty than usual.

## **Additional information**

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