

## Sydbank's 2020 Annual Report

**Sydbank ended 2020 with a satisfactory profit. In 2021 profit is expected to be higher than in 2020**

Sydbank's 2020 financial statements show a profit before tax of DKK 1,021m compared to DKK 1,081m in 2019. The decrease of DKK 60m is primarily attributable to impairment charges for loans and advances which represent an expense of DKK 47m compared to an income of DKK 97m in 2019. Profit before tax equals a return of 8.6% p.a. on average equity.

Profit for the year after tax represents DKK 799m against DKK 853m in 2019, equal to a return on average equity of 6.6%. At the beginning of 2020 profit after tax was projected to be in the range of DKK 700-1,000m.

CEO Karen Frøsig comments on the year's results:

- It is good news that after a challenging year affected by Covid-19 we can deliver a profit at the very top of the most recently announced range of DKK 700-800m and also achieve our objective of a top 3 ranking among the largest banks measured in terms of return on equity.

- As a result of the acquisition of Alm. Brand Bank, total credit intermediation has risen sharply by more than DKK 20bn. The acquisition shows that Sydbank wishes to acquire and merge with banks with Sydbank as the continuing bank. It also shows that we are interested in visionary partnerships that create value for customers and partners.

Karen Frøsig comments on banking in Covid-19 times:

- Covid-19 has turned the world upside down. Our employees have been extremely flexible and have succeeded in providing advice to customers during a difficult time. It is particularly gratifying to see that our customers acknowledge that Sydbank has been excellent at setting up online meetings and ensuring their quality.

- I am pleased that so far Sydbank's customers have handled the coronavirus crisis well. For reasons of prudence the management estimate related to Covid-19 was raised by DKK 100m in Q4 2020 and now totals DKK 325m. Despite this increase impairment charges only represented an expense of DKK 1m in Q4 2020.

Board chairman Lars Mikkjelgaard-Jensen comments:

- After a year when the dividend was cancelled and the share buyback programme was terminated prematurely, it is positive that we can distribute dividend to our shareholders again, which represents 30% of profit for the year. At the same time the acquisition of Alm. Brand Bank creates long-term value for shareholders as profit before tax in 2022 is projected to increase by around DKK 200m. After the acquisition of Alm. Brand Bank and a dividend distribution of DKK 238m the Bank will continue to be well capitalised.

### 2020 highlights

- A 2% increase in total income
- A decline in costs (core earnings) of DKK 9m
- Impairment charges of DKK 47m
- Provision for potential Covid-19 losses of DKK 325m, including DKK 100m in Q4 2020

- Negative investment portfolio earnings of DKK 31m
- Decrease in profit for the year of DKK 54m to DKK 799m
- Bank loans and advances of DKK 60.2bn
- Deposits of DKK 95.9bn
- A capital ratio of 24.0%, including a CET1 ratio of 18.8%
- A proposed dividend of DKK 4.00 per share.

## **Outlook for 2021**

- Growth is projected in the Danish economy in 2021 despite expectations of negative growth influenced by Covid-19 in the first 6 months.
- 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 be at a low level. In addition most of the amounts owed to the Group by the mink industry are expected to be repaid in full, which could result in a reversal of impairment charges of up to DKK 150m.
- Non-recurring costs are expected to be in the range of DKK 150-175m. 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 850-1,150m.
- In light of the Covid-19 crisis the outlook for 2021 is subject to greater uncertainty than usual.

## **Additional information**

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

Louise Degn-Ovesen, Executive Vice president, Communications, tel +45 61 20 48 04