
Interim Report – Q1-Q3 2020

Sydbank Group

Sydbank

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 Mikkellaard-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.

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Group Financial Highlights

	Q1-Q3 2020	Q1-Q3 2019	Index 20/19	Q3 2020	Q3 2019	Full year 2019
Income statement (DKKm)						
Core income	2,711	2,729	99	882	924	3,655
Trading income	204	186	110	88	50	224
Total income	2,915	2,915	100	970	974	3,879
Costs, core earnings	2,046	2,080	98	628	651	2,783
Core earnings before impairment	869	835	104	342	323	1,096
Impairment of loans and advances etc	46	(49)	-	4	(15)	(97)
Core earnings	823	884	93	338	338	1,193
Investment portfolio earnings	(33)	(47)	70	0	(19)	(61)
Profit before non-recurring items	790	837	94	338	319	1,132
Non-recurring items, net	(55)	(27)	204	(18)	12	(51)
Profit before tax	735	810	91	320	331	1,081
Tax	162	152	107	71	62	228
Profit for the period	573	658	87	249	269	853
Balance sheet highlights (DKKbn)						
Loans and advances at amortised cost	56.0	60.9	92	56.0	60.9	60.6
Loans and advances at fair value	16.1	12.5	129	16.1	12.5	12.6
Deposits and other debt	82.9	89.1	93	82.9	89.1	84.3
Bonds issued at amortised cost	7.4	7.4	100	7.4	7.4	7.4
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	11.5	10.8	106	11.5	10.8	11.0
Total assets	151.1	162.5	93	151.1	162.5	147.7
Financial ratios per share (DKK per share of DKK 10)						
Profit for the period	9.1	10.3		4.0	4.3	13.4
Share price at end of period	99.6	120.8		99.6	120.8	139.8
Book value	194.2	181.3		194.2	181.3	184.9
Share price/book value	0.51	0.67		0.51	0.67	0.76
Average number of shares outstanding (in millions)	59.0	60.7		58.6	60.1	60.4
Dividend per share	-	-		-	-	-
Other financial ratios and key figures						
CET1 ratio	20.1	16.2		20.1	16.2	17.8
T1 capital ratio	21.8	17.8		21.8	17.8	19.4
Capital ratio	25.6	21.2		25.6	21.2	22.9
Pre-tax profit as % p.a. of average equity	8.3	9.7		10.9	11.9	9.7
Post-tax profit as % p.a. of average equity	6.4	7.8		8.4	9.5	7.5
Costs (core earnings) as % of total income	70.2	71.4		64.7	66.8	71.7
Return on assets (%)	0.4	0.4		0.2	0.2	0.6
Interest rate risk	1.0	1.3		0.0	1.3	1.6
Foreign exchange position	2.0	2.5		0.0	2.5	1.6
Foreign exchange risk	0.0	0.0		0.0	0.0	0.0
Liquidity, LCR (%)	231	133		231	133	174
Loans and advances relative to deposits	0.6	0.6		0.6	0.6	0.6
Loans and advances relative to equity	5.1	5.6		5.1	5.6	5.5
Growth in loans and advances during the period	(7.6)	(0.2)		0.8	0.0	(0.7)
Total large exposures	153	153		153	153	143
Accumulated impairment ratio	2.8	3.1		2.8	3.1	2.7
Impairment ratio for the period	0.06	(0.06)		0.01	(0.02)	(0.12)
Number of full-time staff at end of period	1,983	2,074	96	1,983	2,074	2,030

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 2019 Annual Report (page 112).

Highlights

Better than expected income raises profit expectations for 2020

Sydbank's financial statements for Q1-Q3 show a pre-tax profit of DKK 735m compared with DKK 810m in the same period in 2019. The decline of DKK 75m is mainly due to the fact that impairment charges – as a result of negative effects of covid-19 – represent an expense of DKK 46m compared with an income of DKK 49m in the same period in 2019.

Profit before tax equals a return of 8.3% p.a. on average equity.

Core income in Q1-Q3 is on a par with 2019. In the 2019 Annual Report core income was expected to be higher in 2020.

Net interest etc constitutes DKK 1,104m compared with DKK 1,120m in 2019 – a decline of DKK 16m.

Core income constitutes DKK 2,711m compared with DKK 2,729m in 2019 – a decrease of DKK 18m.

Trading income in Q1-Q3 is in line with the expectations presented in the 2019 Annual Report.

Total income amounts to DKK 2,915m, which is unchanged compared to the same period in 2019.

Costs (core earnings) constitute DKK 2,046m in Q1-Q3 2020 and show a drop of 2% compared to the same period in 2019.

Core earnings constitute DKK 823m compared with DKK 884m in 2019 – a decrease of DKK 61m.

Profit for the period amounts to DKK 573m compared with DKK 658m in 2019 – a decline of DKK 85m.

Follow-up on the 3-year plan – “A stronger bank”

We are building a stronger bank focusing on 3 themes:

- Customer first
- More Sydbank
- Digitization.

Customer first lifts our customer focus to a new and higher level. The direct link between highly satisfied customers and a positive trend in the top line is the driving force behind the priority of this theme.

More Sydbank seeks to strengthen Sydbank's profile and visibility internally as well as externally. We will make “Banking” more attractive to customers, employees and shareholders. We will create a more distinct identity and communicate our fundamental values more clearly.

Digitization is an investment in the customer meeting a bank – at every touch point – where focus is on the wishes, needs and expectations of the customer. It is an investment in our employees having even simpler and more efficient processes enabling us to spend our time on the customer. It is an investment in using the new technology that works to improve the customer's digital relationship with Sydbank. And it is an investment in ensuring that Sydbank remains a financially sound and well-run business.

The strategic focus represents the values from the underlying philosophy and the Bank's core story with 3 promises – to its customers, to its employees and to its shareholders. The goals thus also reflect the values of the underlying philosophy under the heading “Excellence and relationships create value” as well as our basic belief that dedicated employees make for satisfied customers and that these 2 factors combined are a condition for achieving a satisfactory return for the Bank's shareholders.

The strategic focus covers these areas:

- Customer satisfaction
- Employee engagement
- Return on equity.

Customer satisfaction

Sydbank builds on long-term customer relationships. We strive for a positive trend in customer satisfaction which we monitor closely through internal customer surveys across customers' touch points with the Bank.

Employee engagement

Sydbank considers excellent and committed employees to be its most important asset and aims to retain the present high level. This is monitored closely through internal employee engagement surveys.

Return on equity

Top 3 ranking among the 6 largest banks.

Q1-Q3 performance

Core income totals DKK 2,711m, which is DKK 18m lower than in Q1-Q3 2019. The development in core income is mainly attributable to a decline in income from payment services, mortgage credit and commission etc investment funds and pooled pension plans.

Trading income constituted DKK 204m in Q1-Q3 2020 compared with DKK 186m in the same period in 2019.

Total income represents DKK 2,915m, which is unchanged compared to the same period in 2019.

Costs (core earnings) constitute DKK 2,046m compared with DKK 2,080m in 2019 – a decrease of DKK 34m.

The Group's impairment charges for loans and advances represent an expense of DKK 46m compared with an income of DKK 49m in Q1-Q3 2019.

Together the Group's position-taking and liquidity handling generated negative investment portfolio earnings of DKK 33m in the first 9 months of 2020 compared with negative earnings of DKK 47m a year ago.

Non-recurring items represent an expense of DKK 55m compared with an expense of DKK 27m in Q1-Q3 2019. In 2020 the item consists of costs related to "A stronger bank". In 2019 the item included costs of DKK 57m related to "A stronger bank" as well as one-off income of DKK 30m in connection with the sale of the shares in Sparinvest Holding A/S.

Profit before tax for Q1-Q3 2020 amounts to DKK 735m compared with DKK 810m in the same period in 2019. Tax represents DKK 162m, equivalent to an effective tax rate of 22.0%. Profit for the period amounts to DKK 573m compared with DKK 658m in 2019.

Bank loans and advances

Bank loans and advances represented DKK 56.0bn at 30 September 2020 – an increase of DKK 0.5bn since 30 June 2020 and a drop of DKK 4.6bn since year-end 2019.

Bank loans and advances (DKKbn)	30 Sep 2020	30 Jun 2020	31 Dec 2019
Corporate clients	43.3	42.7	46.8
Retail clients	12.5	12.5	13.5
Public authorities	0.2	0.3	0.3
Total	56.0	55.5	60.6

Demand for loans remains subdued and competition for bank loans and advances continues to be 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 3.4bn in the first 9 months of 2020.

Lending to corporate clients is affected for instance by the government's relief packages, which include deferral of VAT and tax payments. Loans and advances to corporate clients dropped by DKK 3.5bn in Q1-Q3 2020 primarily due to a decline in drawings under existing credit facilities.

As a result of the uncertainty in connection with covid-19 and despite the decline in drawings under credit facilities mentioned above, many corporate clients have increased their cash resources, which the Bank has accommodated in the form of increased credit commitments.

Credit facilities – corporate clients (DKKbn)	30 Sep 2020	30 Jun 2020	31 Dec 2019
Drawn credit facilities = loans and advances before impairment charges	44.9	44.4	48.4
Undrawn credit facilities	38.3	35.8	29.0
Total credit facilities	83.2	80.2	77.4

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 2020 credit intermediation totalled DKK 142.7bn – a drop of DKK 2.4bn compared to year-end 2019.

The change is attributable to a decrease in bank loans and advances of DKK 4.6bn, a decline in funded mortgage-like loans of DKK 1.0bn and an increase in arranged mortgage loans of DKK 3.2bn.

Total credit intermediation (DKKbn)	30 Sep 2020	30 Jun 2020	31 Dec 2019
Bank loans and advances	56.0	55.5	60.6
Funded mortgage-like loans	7.3	7.6	8.3
Arranged mortgage loans - Totalkredit	68.1	66.8	64.7
Arranged mortgage loans - DLR	11.3	11.3	11.5
Total	142.7	141.2	145.1

Capital

The Bank announced a share buyback programme of DKK 250m on 26 February 2020. The share buyback programme was scheduled to end no later than on 30 September 2020.

The share buyback programme was terminated on 17 March 2020 as the Bank's Board of Directors, for reasons of prudence, did not wish to continue with the programme as the economic effects of covid-19 are uncertain. Under the programme 279,000 own shares were repurchased at a transaction value of DKK 31m.

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.

Profit after tax was expected to be in the range of DKK 600-800m after 1H 2020.

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 that is 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 2020

The Sydbank Group has recorded a profit before tax of DKK 735m (Q1-Q3 2019: DKK 810m).

Profit before tax equals a return of 8.3% p.a. on average equity.

Profit for the period after tax represents DKK 573m compared with DKK 658m in 2019.

Profit after tax equals a return of 6.4% p.a. on average equity.

Profit for Q1-Q3 2020 is below the expectations at the beginning of the year as a result of negative effects of covid-19.

The result is characterised by:

- a decrease in core income of DKK 18m to DKK 2,711m
- a rise in trading income of DKK 18m
- a decline in costs (core earnings) – despite underlying cost inflation
- impairment charges of DKK 46m due to covid-19
- a decrease in core earnings of DKK 61m to DKK 823m
- negative investment portfolio earnings of DKK 33m
- bank loans and advances of DKK 56.0bn (year-end 2019: DKK 60.6bn) – a drop of DKK 4.6bn
- bank deposits of DKK 82.9bn (year-end 2019: DKK 84.3bn)
- a CET1 ratio of 20.1% (year-end 2019: 17.8%)
- an individual solvency need of 11.7% (year-end 2019: 10.8%).

Income statement – Q1-Q3 (DKKm)	2020	2019
Core income	2,711	2,729
Trading income	204	186
Total income	2,915	2,915
Costs, core earnings	2,046	2,080
Core earnings before impairment	869	835
Impairment of loans and advances etc	46	(49)
Core earnings	823	884
Investment portfolio earnings	(33)	(47)
Profit before non-recurring items	790	837
Non-recurring items, net	(55)	(27)
Profit before tax	735	810
Tax	162	152
Profit for the period	573	658

Core income

Core income represents DKK 2,711m – a drop of DKK 18m compared to 2019.

Net interest has gone down by DKK 16m to DKK 1,104m compared to 2019. Net interest is positively affected by an improvement of DKK 148m in net interest as regards deposits. Net interest is adversely affected by a drop of DKK 173m in interest income on loans and advances.

Net income from the cooperation with Totalkredit represents DKK 355m (2019: DKK 367m) after a set-off of loss of DKK 7m (2019: DKK 11m). The cooperation with DLR Kredit has generated an income of DKK 89m (2019: DKK 98m). Total mortgage credit income represents DKK 445m – a decrease of DKK 22m compared to 2019.

Compared to 2019 income from payment services has gone down by DKK 30m to DKK 111m due in part to lower activity caused by covid-19.

Compared to 2019 commission and brokerage income has risen by DKK 41m to DKK 271m. The rise is attributable to increased trading activity.

Commission etc investment funds and pooled pension plans constitutes DKK 209m compared with DKK 248m in 2019.

The remaining income components have increased by DKK 48m, equal to a rise of 9%.

Core income – Q1-Q3 (DKKm)	2020	2019
Net interest etc	1,104	1,120
Mortgage credit	445	467
Payment services	111	141
Remortgaging and loan fees	128	122
Commission and brokerage	271	230
Commission etc investment funds and pooled pension plans	209	248
Asset management	210	197
Custody account fees	58	52
Other operating income	175	152
Total	2,711	2,729

Trading income

Trading income constituted DKK 204m in Q1-Q3 2020 compared with DKK 186m in the same period in 2019.

The increase in income is mainly attributable to considerable trading activity in Q1-Q3 2020.

Costs and depreciation

The Group's costs and depreciation total DKK 2,106m, equal to a decrease of DKK 36m compared to the same period in 2019.

Costs and depreciation – Q1-Q3 (DKKm)	2020	2019
Staff costs	1,187	1,229
Other administrative expenses	832	822
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment	69	80
Other operating expenses	18	11
Total costs and depreciation	2,106	2,142
Distributed as follows:		
Costs, core earnings	2,046	2,080
Costs, investment portfolio earnings	5	5
Non-recurring costs	55	57

Costs (core earnings) represent DKK 2,046m compared with DKK 2,080m in 2019.

At 30 September 2020 the Group's staff numbered 1,983 (full-time equivalent) compared with 2,074 at 30 September 2019, a reduction of 91.

Compared to year-end 2019 the number of branches has been reduced by 3, bringing the number of branches to 57 in Denmark and 3 in Germany at end-September 2020.

Core earnings before impairment

Core earnings before impairment charges for loans and advances represent DKK 869m – an increase of DKK 34m or 4% compared to the same period in 2019.

Impairment of loans and advances etc

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.

The Group's impairment charges include a management estimate of DKK 225m to cover the consequences of the covid-19 outbreak. The estimate is based on a current assessment of the effects of covid-19 on the Group's lending portfolio and therefore the estimate may change in the coming quarters.

At 30 September 2020 Sydbank's unsecured loans and advances in the weakest rating categories (excluding agriculture but including mink farming) amount to DKK 515m. 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 approx 24%.

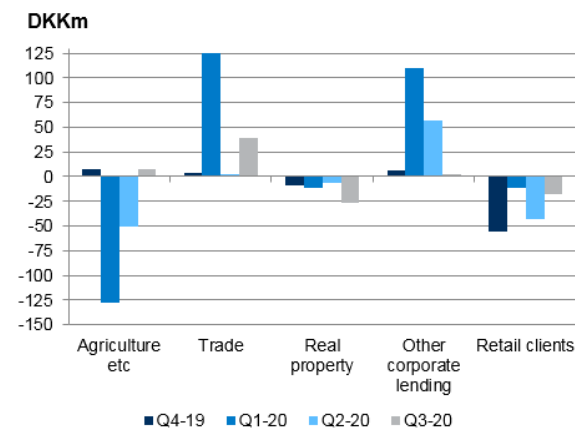
Furthermore impairment charges include a management estimate of DKK 100m to cover unforeseen events as regards the remaining part of the lending portfolio, the credit risk of which is satisfactory or normal.

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

Consequently management estimates as a result of covid-19 total DKK 225m.

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

Impairment charges – quarterly



The impairment ratio relative to bank loans and advances and guarantees at 30 September 2020 represents 0.06%. At end-September 2020 accumulated impairment and provisions amounted to DKK 2,119m – a decline of DKK 125m compared to year-end 2019.

In Q1-Q3 2020 reported losses amounted to DKK 277m (Q1-Q3 2019: DKK 440m). Of the reported losses an impairment charge of DKK 182m (Q1-Q3 2019: DKK 364m) has previously been recorded.

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:

- **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.

The Group's loans and advances and impairment charges at 30 September 2020 allocated to these 3 stages are shown below.

Loans/advances and impairment charges – 30 Sep 2020				
(DKKm)	Stage 1	Stage 2	Stage 3	Total
Loans/advances before impairment charges	52,058	3,673	2,190	57,921
Impairment charges	174	643	1,134	1,951
Loans/advances after impairment charges	51,884	3,030	1,056	55,970

30 Sep 2020	Stage 1	Stage 2	Stage 3	Total
Impairment charges as % of bank loans and advances	0.3	17.5	51.8	3.4
Share of bank loans and advances before impairment charges (%)	89.9	6.3	3.8	100.0
Share of bank loans and advances after impairment charges (%)	92.7	5.4	1.9	100.0

Credit impaired bank loans and advances – stage 3 – represent 3.8% (year-end 2019: 3.5%) of total bank loans and advances before impairment charges and 1.9% (year-end 2019: 1.7%) 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 2020 stand at 51.8% (year-end 2019: 53.3%).

Core earnings

Core earnings represent DKK 823m – a drop of DKK 61m or 7% compared to the same period in 2019.

Investment portfolio earnings

Together the Group's position-taking and liquidity handling generated negative investment portfolio earnings of DKK 33m in Q1-Q3 2020 compared with negative earnings of DKK 47m 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)	2020	2019
Position-taking	16	(31)
Liquidity generation and liquidity reserves	(40)	(12)
Strategic positions	(4)	1
Costs	(5)	(5)
Total	(33)	(47)

Non-recurring items, net

Non-recurring items represent an expense of DKK 55m compared with an expense of DKK 27m in Q1-Q3 2019. In 2020 the item consists of costs related to "A stronger bank". In 2019 the item included costs of DKK 57m related to "A stronger bank" as well as one-off income of DKK 30m in connection with the sale of the shares in Sparinvest Holding A/S.

Profit for the period

Profit before tax amounts to DKK 735m (Q1-Q3 2019: DKK 810m). Tax represents DKK 162m, equivalent to an effective tax rate of 22.0%. Profit for the period amounts to DKK 573m compared with DKK 658m in 2019.

Return

Profit for the period equals a return on average equity of 6.4% p.a. after tax against 7.8% p.a. in Q1-Q3 2019. Earnings per share stands at DKK 9.1 compared with DKK 10.3 in 2019.

Subsidiaries

Ejendomsselskabet has recorded a profit after tax of DKK 7m (Q1-Q3 2019: DKK 7m). Profit after tax in Syd Administration A/S and Syd Fund Management A/S represents DKK 2m (Q1-Q3 2019: minus DKK 1m) and DKK 16m (Q1-Q3 2019: DKK 14m) respectively. Profit after tax in Sydbank (Schweiz) AG in Liquidation constitutes minus DKK 3m (Q1-Q3 2019: minus DKK 2m).

Q3 2020 compared with Q2 2020

Profit before tax for Q3 represents DKK 320m (Q2 2020: DKK 345m).

Compared to Q2 2020 profit before tax reflects:

- a rise in core income of DKK 13m
- a decline in trading income of DKK 21m
- a drop in costs (core earnings) of DKK 72m
- impairment charges for loans and advances represent an expense of DKK 4m in Q3 and an income of DKK 42m in Q2
- an increase in core earnings of DKK 18m to DKK 338m
- investment portfolio earnings of DKK 0m (Q2 2020: DKK 45m).

Profit for the period (DKK m)	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Core income	882	869	960	926	924	905	900
Trading income	88	109	7	38	50	40	96
Total income	970	978	967	964	974	945	996
Costs, core earnings	628	700	718	703	651	710	719
Core earnings before impairment	342	278	249	261	323	235	277
Impairment of loans and advances etc	4	(42)	84	(48)	(15)	(20)	(14)
Core earnings	338	320	165	309	338	255	291
Investment portfolio earnings	0	45	(78)	(14)	(19)	(14)	(14)
Profit before non-recurring items	338	365	87	295	319	241	277
Non-recurring items, net	(18)	(20)	(17)	(24)	12	(22)	(17)
Profit before tax	320	345	70	271	331	219	260
Tax	71	76	15	76	62	35	55
Profit for the period	249	269	55	195	269	184	205

Total assets

The Group's total assets made up DKK 151.1bn at 30 September 2020 against DKK 147.7bn at year-end 2019.

Assets (DKKbn)	30 Sep 2020	31 Dec 2019
Amounts owed by credit institutions etc	17.4	11.3
Loans and advances at fair value (reverse transactions)	16.1	12.6
Loans and advances at amortised cost (bank loans and advances)	56.0	60.6
Securities and holdings etc	33.0	34.7
Assets related to pooled plans	19.0	19.0
Other assets etc	9.6	9.5
Total	151.1	147.7

The Group's bank loans and advances totalled DKK 56.0bn at end-September 2020 against DKK 60.6bn at year-end 2019 and DKK 60.9bn at end-September 2019.

Equity and liabilities (DKKbn)	30 Sep 2020	31 Dec 2019
Amounts owed to credit institutions etc	6.0	5.5
Deposits and other debt	82.9	84.3
Deposits in pooled plans	19.0	19.0
Bonds issued	7.4	7.4
Other liabilities etc	21.1	17.3
Provisions	0.5	0.5
Subordinated capital	1.9	1.9
Equity	12.3	11.8
Total	151.1	147.7

The Group's deposits make up DKK 82.9bn against DKK 84.3bn at year-end 2019 and DKK 89.1bn at

end-September 2019. Other liabilities represent DKK 21.1bn compared to DKK 17.3bn at year-end 2019. The increase is attributable to negative portfolio reverse transactions.

Capital

At 30 September 2020 shareholders' equity constituted DKK 11,474m – an increase of DKK 508m since year-end 2019. The change comprises an addition from profit for the period of DKK 539m and net purchases of own shares etc of DKK 31m.

The Bank announced a share buyback programme of DKK 250m on 26 February 2020. The share buyback programme was scheduled to end no later than on 30 September 2020.

The share buyback programme was terminated on 17 March 2020 as the Bank's Board of Directors, for reasons of prudence, did not wish to continue with the programme as the economic effects of covid-19 are uncertain. Under the programme 279,000 own shares were repurchased at a transaction value of DKK 31m.

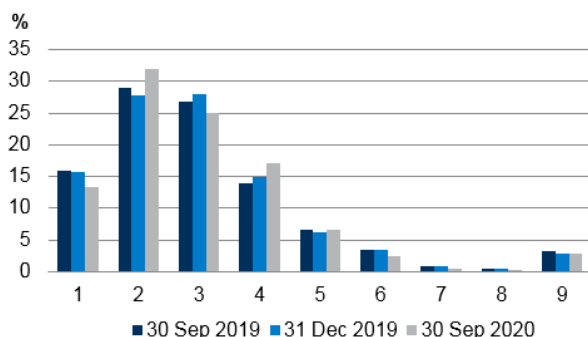
REA (DKKbn)	30 Sep 2020	31 Dec 2019
Credit risk	31.0	35.7
Market risk	5.7	6.2
Operational risk	7.2	7.2
Other exposures incl CVA	5.9	6.1
Total	49.8	55.2

The risk exposure amount represents DKK 49.8bn (year-end 2019: DKK 55.2bn). The change is mainly attributable to a decrease in credit risk of DKK 4.7bn and a decline in market risk of DKK 0.5bn.

The development in the gross exposure by rating category at 30 September 2020, 31 December 2019 and 30 September 2019 appears below.

The gross exposure by rating category shows that a large share continues to be in the 4 best rating categories. Compared with 31 December 2019 the share is high also at 30 September 2020.

Gross exposure by rating category

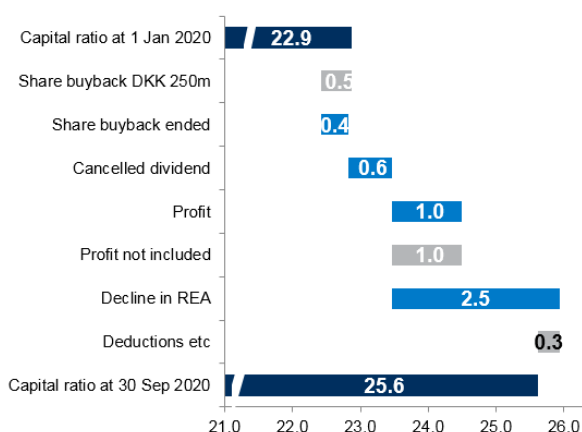


The gross exposure consists of loans and advances, undrawn credit commitments, interest receivable, guarantees and counterparty risk on derivatives. The graph comprises exposures treated according to IRB. Exposures relating to clients in default are not included in the breakdown of rating categories.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

The Group's capital ratio stands at 25.6%, of which the T1 capital ratio represents 21.8% compared with 22.9% and 19.4% respectively at year-end 2019. The CET1 ratio stands at 20.1% (31 December 2019: 17.8%).

The development in the Group's capital ratio from 31 December 2019 to 30 September 2020 is illustrated below.

Capital ratio in Q1-Q3



Profit for the period is not included in the calculation of capital ratios at 30 September 2020.

At 30 September 2020 the individual solvency need represented 11.7% (31 December 2019: 10.8%).

The parent's capital ratio stands at 24.6%, of which the T1 capital ratio represents 20.9% compared with 22.0% and 18.6% respectively at year-end 2019.

The CET1 ratio stands at 19.2% (31 December 2019: 17.1%).

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 2020 the individual solvency need represented 11.7%. 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 6.6% 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 2020. When fully loaded the combined buffer requirement will represent 3.5%, bringing the fully loaded CET1 ratio requirement to 10.1%.

Capital and solvency and capital requirements (% of REA)	30 Sep 2020	Fully loaded*
Capital and solvency		
CET1 ratio	20.1	19.8
Capital ratio	25.6	25.4
Capital requirements (incl buffers)**		
Total capital requirement	15.2	15.2
CET1 capital requirement	10.1	10.1
-of which countercyclical capital buffer	0.0	0.0
-of which capital conservation buffer	2.5	2.5
-of which SIFI buffer	1.0	1.0
Excess capital		
CET1 capital	10.0	9.7
Total capital	10.5	10.3

* Based on fully loaded CRR/CRD IV rules and requirements.

** 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 2020.

Market risk

At 30 September 2020 the Group's interest rate risk represented DKK 104m. 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 231% at 30 September 2020 (31 December 2019: 174%).

LCR (DKKbn)	30 Sep 2020	31 Dec 2019	30 Sep 2019
Total liquidity buffer	43.2	37.2	30.9
Net cash outflows	18.7	21.4	23.2
LCR (%)	231	174	133

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 2020.

Funding ratio (DKKbn)	30 Sep 2020	31 Dec 2019	30 Sep 2019
Equity and subordinated capital	14.1	13.6	13.5
Senior loans with maturities > 1 year	7.4	7.4	7.4
Stable deposits	78.5	77.3	78.5
Total stable funding	100.0	98.3	99.3
Loans and advances (excl reverse and funded mortgage-like loans)	56.0	60.6	60.9
Funding ratio (%)	179	162	163

As shown above the Group's stable funding exceeded the Group's loans and advances by DKK 44.0bn at 30 September 2020 (31 December 2019: DKK 37.7bn).

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 A/S complies with all the benchmarks of the Supervisory Diamond.

Supervisory Diamond	30 Sep 2020	31 Dec 2019	30 Sep 2019
Sum of 20 largest exposures < 175%	153	143	153
Lending growth < 20% annually	(8)	(1)	(2)
Commercial property exposure < 25%	7	6	6
Funding ratio < 1	0.54	0.59	0.59
Excess liquidity coverage > 100%	254	207	202

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 March 2020 the Danish FSA set the MREL for Sydbank at 11.8% of the total liabilities and total capital, equal to 28.4% of the risk exposure amount made up at 30 September 2019.

The general resolution principle for SIFIs is that it should be possible to restructure them and send them back to the market with adequate capitalisation to ensure market confidence. In accordance with this principle the MREL for SIFIs has been set at twice the total capital requirement with the exception of the countercyclical capital buffer which is only included once in the MREL. The MREL must be met with convertible instruments ("contractual bail-in").

MREL (%)	Capital requirements	MREL
Solvency need	11.7	23.4
SIFI buffer	1.0	2.0
Capital conservation buffer	2.5	5.0
Countercyclical capital buffer	0.0	0.0
Total requirement (%)	15.2	30.4
Total requirement (DKKbn)	7,576	15,152

Following 2 issues of non-preferred senior debt of EUR 500m on 18 September 2018 and 4 February 2019, the Group's eligible liabilities represent 133.3% (31 December 2019: 122.8%) of MREL. This equals an excess cover of DKK 5.0bn (31 December 2019: DKK 3.7bn) based on the risk exposure amount at 30 September 2020. Consequently the MREL has been met.

Excess cover – MREL (DKKbn)	
Total capital	12,768
Non-preferred senior debt, EUR 1,000m	7,422
Total eligible liabilities	20,190
MREL	15,152
Excess cover	5,038
Excess cover as % of MREL	33.3

As a result of the expected increase in the risk exposure amount caused by the acquisition of Alm. Brand Bank A/S as well as the fact that the non-preferred senior debt issued on 4 February 2019 with a maturity of 3 years will not meet the MREL eligibility criteria after 4 February 2021, non-preferred senior debt in the range of DKK 1-2bn must be issued. In the course of Q4 2020 we will look into the possibilities of such an issue.

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 2020 is expected to represent DKK 22m.

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. The European Commission's proposal for a revision of CRR includes a proposal to introduce a minimum leverage ratio requirement of 3%.

The Group's leverage ratio constituted 6.4% at 30 September 2020 (year-end 2019: 6.5%) 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 6.3% (year-end 2019: 6.4%).

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 the adverse impact from the impairment model in accordance with IFRS 9 is phased in on an ongoing basis. As a result of covid-19 the arrangement has been prolonged until 2024.

Sydbank has decided to apply the transitional rules. The static approach applies to Sydbank and will expire unchanged in 2022. At present the dynamic approach cannot be applied by Sydbank.

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 not expected to have a significant impact on the Group's capital.

The recommendations must be implemented in the EU before they apply to Danish 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.

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 1.6bn at 30 September 2020, equivalent to 2.9% of total loans and advances of DKK 56.0bn.

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 but including mink farming) represent DKK 0.7bn. After deduction of collateral received of DKK 0.1bn, unsecured loans and advances total DKK 0.6bn.

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 1.0bn at 30 September 2020, equivalent to 1.8% of total loans and advances of DKK 56.0bn.

Income Statement

DKKm	Note	Q1-Q3 2020	Q1-Q3 2019	Q3 2020	Q3 2019
Interest income calculated using the effective interest method		1,363	1,445	439	480
Other interest income		184	247	66	104
Interest income	2	1,547	1,692	505	584
Interest expense	3	344	410	107	152
Net interest income		1,203	1,282	398	432
Dividends on shares		25	30	0	2
Fee and commission income	4	1,629	1,647	532	571
Fee and commission expense		227	269	73	94
Net interest and fee income		2,630	2,690	857	911
Market value adjustments	5	239	185	107	67
Other operating income		12	24	4	7
Staff costs and administrative expenses	6	2,019	2,050	619	640
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment		69	80	22	27
Other operating expenses	8	18	11	6	3
Impairment of loans and advances etc	9	46	(48)	4	(15)
Profit/(Loss) on holdings in associates and subsidiaries	10	6	4	2	1
Profit before tax		735	810	319	331
Tax	11	162	152	70	62
Profit for the period		573	658	249	269
Distribution of profit for the period					
Shareholders of Sydbank A/S		544	626	239	257
Holders of AT1 capital		29	32	10	12
Total amount to be allocated		573	658	249	269
Interest paid to holders of AT1 capital		29	29	10	10
Minority shareholders		5	3	2	2
Transfer to equity		539	626	237	257
Total amount allocated		573	658	249	269
EPS Basic for the period (DKK)*		9.1	10.3	4.0	4.3
EPS Diluted for the period (DKK)*		9.1	10.3	4.0	4.3
Dividend per share (DKK)		-	-	-	-

* Calculated on the basis of average number of shares outstanding, see page 19.

Statement of Comprehensive Income

Profit for the period	573	658	249	269
Other comprehensive income				
<u>Items that may be reclassified to the income statement:</u>				
Translation of foreign entities	1	8	(3)	5
Hedge of net investment in foreign entities	(1)	(8)	3	(5)
Property revaluation	-	(2)	-	-
<u>Items that may not be reclassified to the income statement:</u>				
Value adjustment of certain strategic shares	(4)	10	(4)	(8)
Other comprehensive income after tax	(4)	8	(4)	(8)
Comprehensive income for the period	569	666	245	261

Balance Sheet

DKKm	Note	30 Sep 2020	31 Dec 2019	30 Sep 2019
Assets				
Cash and balances on demand at central banks		2,402	2,428	2,025
Amounts owed by credit institutions and central banks	12	15,004	8,863	15,113
Loans and advances at fair value		16,106	12,602	12,467
Loans and advances at amortised cost	13	55,970	60,554	60,871
Bonds at fair value		30,636	32,357	40,285
Shares etc		2,180	2,211	2,198
Holdings in associates etc		148	147	145
Holdings in subsidiaries etc		19,001	19,042	18,270
Assets related to pooled plans		224	239	244
Intangible assets		1,060	1,077	1,068
Owner-occupied property		63	72	77
Owner-occupied property, leasing		1,123	1,149	1,145
Total land and buildings		62	61	48
Other property, plant and equipment		72	173	186
Current tax assets		33	33	39
Deferred tax assets		-	-	1
Other assets	14	8,093	7,809	9,420
Prepayments		61	70	69
Total assets		151,115	147,738	162,526
Equity and liabilities				
Amounts owed to credit institutions and central banks	15	6,049	5,497	8,445
Deposits and other debt	16	82,872	84,295	89,077
Deposits in pooled plans		19,001	19,042	18,270
Bonds issued at amortised cost		7,422	7,437	7,430
Other liabilities	17	21,190	17,360	25,375
Deferred income		3	3	3
Total liabilities		136,537	133,634	148,600
Provisions	18	462	477	464
Subordinated capital	19	1,858	1,863	1,862
Equity:				
Share capital		597	618	618
Revaluation reserves		116	116	102
Other reserves:				
Reserves according to articles of association		425	425	425
Other reserves		4	4	4
Retained earnings		10,332	9,451	9,663
Proposed dividend etc		-	352	-
Shareholders of Sydbank A/S		11,474	10,966	10,812
Holders of AT1 capital		748	760	750
Minority shareholders		36	38	38
Total equity		12,258	11,764	11,600
Total equity and liabilities		151,115	147,738	162,526

Financial Highlights – Quarterly

	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Income statement (DKKm)							
Core income	882	869	960	926	924	905	900
Trading income	88	109	7	38	50	40	96
Total income	970	978	967	964	974	945	996
Costs, core earnings	628	700	718	703	651	710	719
Core earnings before impairment	342	278	249	261	323	235	277
Impairment of loans and advances etc	4	(42)	84	(48)	(15)	(20)	(14)
Core earnings	338	320	165	309	338	255	291
Investment portfolio earnings	0	45	(78)	(14)	(19)	(14)	(14)
Profit before non-recurring items	338	365	87	295	319	241	277
Non-recurring items, net	(18)	(20)	(17)	(24)	12	(22)	(17)
Profit before tax	320	345	70	271	331	219	260
Tax	71	76	15	76	62	35	55
Profit for the period	249	269	55	195	269	184	205
Balance sheet highlights (DKKbn)							
Loans and advances at amortised cost	56.0	55.5	60.0	60.6	60.9	60.9	60.9
Loans and advances at fair value	16.1	19.1	19.6	12.6	12.5	7.0	6.7
Deposits and other debt	82.9	84.2	82.2	84.3	89.1	89.1	86.3
Bonds issued at amortised cost	7.4	7.4	7.4	7.4	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	11.5	11.2	11.0	11.0	10.8	10.7	10.5
Total assets	151.1	150.4	150.2	147.7	162.5	152.1	145.6
Financial ratios per share (DKK per share of DKK 10)							
Profit for the period	4.0	4.4	0.7	3.1	4.3	2.9	3.2
Share price at end of period	99.6	123.0	96.1	139.8	120.8	125.1	138.0
Book value	194.2	190.2	185.8	184.9	181.3	176.1	172.6
Share price/book value	0.51	0.65	0.52	0.76	0.67	0.71	0.80
Average number of shares outstanding (in millions)	58.6	59.0	59.2	59.6	60.1	61.0	61.0
Dividend per share	-	-	-	-	-	-	-
Other financial ratios and key figures							
CET1 ratio	20.1	20.2	19.0	17.8	16.2	16.6	16.9
T1 capital ratio	21.8	22.0	20.6	19.4	17.8	18.3	18.5
Capital ratio	25.6	25.9	24.3	22.9	21.2	21.6	22.0
Pre-tax profit as % p.a. of average equity	10.9	12.1	2.1	9.6	11.9	7.9	9.3
Post-tax profit as % p.a. of average equity	8.4	9.3	1.6	6.8	9.5	6.6	7.3
Costs (core earnings) as % of total income	64.7	71.6	74.3	72.9	66.8	75.1	72.2
Return on assets (%)	0.2	0.2	0.0	0.1	0.2	0.3	0.1
Interest rate risk	1.0	0.9	0.6	1.6	1.3	1.3	0.5
Foreign exchange position	2.0	1.3	2.3	1.6	2.5	1.6	1.4
Foreign exchange risk	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liquidity, LCR (%)	231	232	196	174	133	207	186
Loans and advances relative to deposits	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Loans and advances relative to equity	5.1	5.1	5.5	5.5	5.6	5.7	5.8
Growth in loans and advances during the period	0.8	(7.5)	(0.9)	(0.5)	0.0	0.0	(0.2)
Total large exposures	153	152	139	143	153	149	147
Accumulated impairment ratio	2.8	3.0	2.7	2.7	3.1	3.4	3.6
Impairment ratio for the period	0.01	(0.06)	0.10	(0.06)	(0.02)	(0.03)	(0.02)
Number of full-time staff at end of period	1,983	1,979	2,004	2,030	2,074	2,069	2,111

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 2019 Annual Report (page 112).

Financial Highlights – Q1-Q3

	Q1-Q3 2020	Q1-Q3 2019	Q1-Q3 2018	Q1-Q3 2017	Q1-Q3 2016
Income statement (DKKm)					
Core income	2,711	2,729	3,003	3,129	3,131
Trading income	204	186	140	197	188
Total income	2,915	2,915	3,143	3,326	3,319
Costs, core earnings	2,046	2,080	2,036	1,992	1,958
Core earnings before impairment	869	835	1,107	1,334	1,361
Impairment of loans and advances etc	46	(49)	(71)	(38)	114
Core earnings	823	884	1,178	1,372	1,247
Investment portfolio earnings	(33)	(47)	(68)	195	41
Profit before non-recurring items	790	837	1,110	1,567	1,288
Non-recurring items, net	(55)	(27)	83	(23)	21
Profit before tax	735	810	1,193	1,544	1,309
Tax	162	152	227	340	281
Profit for the period	573	658	966	1,204	1,028
Balance sheet highlights (DKKbn)					
Loans and advances at amortised cost	56.0	60.9	62.1	66.8	78.1
Loans and advances at fair value	16.1	12.5	6.0	5.9	6.9
Deposits and other debt	82.9	89.1	82.7	80.8	78.6
Bonds issued at amortised cost	7.4	7.4	3.7	3.7	7.1
Subordinated capital	1.9	1.9	1.9	1.3	2.1
AT1 capital	0.8	0.8	0.8	-	-
Shareholders' equity	11.5	10.8	11.1	11.8	11.4
Total assets	151.1	162.5	135.0	131.9	146.2
Financial ratios per share (DKK per share of DKK 10)					
Profit for the period	9.1	10.3	14.5	17.5	14.6
Share price at end of period	99.6	120.8	189.0	261.3	201.4
Book value	194.2	181.3	179.5	174.0	163.0
Share price/book value	0.51	0.67	1.05	1.50	1.24
Average number of shares outstanding (in millions)	59.0	60.7	65.8	68.7	70.6
Dividend per share	-	-	-	-	-
Other financial ratios and key figures					
CET1 ratio	20.1	16.2	16.1	15.5	14.9
T1 capital ratio	21.8	17.8	17.9	16.0	16.2
Capital ratio	25.6	21.2	21.2	18.1	18.0
Pre-tax profit as % p.a. of average equity	8.3	9.7	13.9	17.8	15.7
Post-tax profit as % p.a. of average equity	6.4	7.8	11.2	13.9	12.3
Costs (core earnings) as % of total income	70.2	71.4	64.8	59.9	59.0
Return on assets (%)	0.4	0.4	0.7	0.9	0.7
Interest rate risk	1.0	1.3	1.2	1.6	0.6
Foreign exchange position	2.0	2.5	1.8	2.4	1.4
Foreign exchange risk	0.0	0.0	0.0	0.0	0.0
Liquidity, LCR (%)	231	133	172	143	152
Loans and advances relative to deposits	0.6	0.6	0.7	0.7	0.8
Loans and advances relative to equity	5.1	5.6	5.5	5.7	6.9
Growth in loans and advances during the period	(7.6)	(0.2)	(3.5)	(13.5)	5.1
Total large exposures	153	153	151	143	-
Accumulated impairment ratio	2.8	3.1	3.8	3.4	4.2
Impairment ratio for the period	0.06	(0.06)	(0.09)	(0.05)	0.12
Number of full-time staff at end of period	1,983	2,074	2,123	2,069	2,048

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 2019 Annual Report (page 112).

Capital

DKK m	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 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 etc					345	(345)	-			-
Dividend etc paid						(7)	(7)		(5)	(12)
Purchase of holdings in subsidiaries									(2)	(2)
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
Equity at 1 Jan 2019	677	104	425	4	9,122	590	10,922	760	0	11,682
Profit for the period					626		626	29	3	658
Other comprehensive income		(2)			10		8			8
Comprehensive income for the period	-	(2)	-	-	636	-	634	29	3	666
Transactions with owners										
Purchase of own shares					(1,435)		(1,435)			(1,435)
Sale of own shares					1,280		1,280			1,280
Reduction of share capital	(59)				59		-			-
Interest paid on AT1 capital							-	(39)		(39)
Exchange rate adjustment					0		0	0		0
Dividend etc paid						(590)	(590)		(4)	(594)
Dividend, own shares					7		7			7
Sale of holdings in subsidiaries					(6)		(6)		39	33
Total transactions with owners	(59)	-	-	-	(95)	(590)	(744)	(39)	35	(748)
Equity at 30 Sep 2019	618	102	425	4	9,663	-	10,812	750	38	11,600

* 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 2020	31 Dec 2019	30 Sep 2019
Share capital (DKK)	596,763,200	617,540,000	617,540,000
Shares issued (number)	59,676,320	61,754,000	61,754,000
Shares outstanding at end of period (number)	59,085,218	59,302,539	59,636,131
Average number of shares outstanding (number)	58,955,304	60,422,803	60,702,524

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

Capital

DKKm	30 Sep 2020	31 Dec 2019	30 Sep 2019
Solvency			
CET1 ratio	20.1	17.8	16.2
T1 capital ratio	21.8	19.4	17.8
Capital ratio	25.6	22.9	21.2
Total capital			
Equity, shareholders of Sydbank A/S	11,474	10,966	10,812
Expected maximum dividend based on dividend policy	(573)	-	(626)
Minority shareholders	-	38	38
Prudent valuation	(78)	(72)	(97)
Actual or contingent obligations to purchase own shares	(8)	-	(71)
Proposed dividend	-	(352)	-
Intangible assets and capitalised deferred tax assets	(199)	(213)	(227)
Significant investments in financial sector	(739)	(704)	(709)
Transitional arrangement IFRS 9	118	144	144
CET1 capital	9,995	9,807	9,264
AT1 capital – equity	745	747	747
AT1 capital – debt	111	168	168
T1 capital	10,851	10,722	10,179
T2 capital	1,747	1,695	1,694
Difference between expected losses and impairment for accounting purposes	170	203	210
Total capital	12,768	12,620	12,083
Credit risk*	30,997	35,747	36,925
Market risk	5,729	6,177	6,988
Operational risk	7,171	7,171	7,654
Other exposures incl CVA	5,946	6,065	5,473
REA	49,843	55,160	57,040
Pillar I capital requirement	3,987	4,413	4,563
* Credit risk			
Corporate clients, IRB	22,290	26,353	27,790
Retail clients, IRB	6,169	7,425	7,264
Corporate clients, STD	260	262	259
Retail clients, STD	991	903	894
Credit institutions etc	1,287	804	718
Total	30,997	35,747	36,925

Cash Flow Statement

DKKm	Q1-Q3 2020	Full year 2019	Q1-Q3 2019
Operating activities			
Pre-tax profit for the period	735	1,081	810
Taxes paid	(67)	(160)	(129)
<u>Adjustment for non-cash operating items:</u>			
Profit/(Loss) on holdings in associates	4	1	1
Amortisation and depreciation of intangible assets and property, plant and equipment	69	113	80
Impairment of loans and advances/guarantees	46	(90)	(48)
Other non-cash operating items	(14)	(19)	(26)
	773	926	688
<u>Changes in working capital:</u>			
Credit institutions and central banks	(8,501)	2,530	(4,110)
Trading portfolio	1,752	(2,704)	(10,620)
Other financial instruments at fair value	(37)	(658)	(305)
Loans and advances	1,034	(5,573)	(5,797)
Deposits	(1,424)	(1,982)	2,800
Other assets/liabilities	3,532	2,437	8,582
Cash flows from operating activities	(2,871)	(5,024)	(8,762)
Investing activities			
Purchase of holdings in associates	(5)	(8)	6
Sale of holdings in associates	-	13	-
Purchase of holdings in subsidiaries	(2)	-	-
Sale of holdings in subsidiaries	-	33	33
Purchase of property, plant and equipment	(29)	(59)	(102)
Sale of property, plant and equipment	0	9	-
Cash flows from investing activities	(36)	(12)	(63)
Financing activities			
Purchase and sale of own holdings	(23)	(201)	(156)
Dividends etc	(7)	(583)	(583)
Raising of subordinated capital	-	-	-
Issue of bonds	(2)	3,715	3,715
Cash flows from financing activities	(32)	2,931	2,976
Cash flows for the period	(2,939)	(2,105)	(5,849)
Cash and cash equivalents at 1 Jan	6,753	8,858	8,858
Cash flows for the period	(2,939)	(2,105)	(5,849)
Cash and cash equivalents at end of period	3,814	6,753	3,009
Cash and cash equivalents at end of period			
Cash and balances on demand at central banks	2,402	2,428	2,025
Fully secured cash and cash equivalent balances on demand with credit institutions and insurance companies	709	1,255	844
Unencumbered certificates of deposit	703	3,070	140
Cash and cash equivalents at end of period	3,814	6,753	3,009

Segment Reporting etc

DKK m	Banking	Asset Management	Sydbank Markets	Treasury	Other	Total
Operating segments						
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
Q1-Q3 2019						
Core income	2,475	197	57	-	-	2,729
Trading income	-	-	186	-	-	186
Total income	2,475	197	243	-	-	2,915
Costs, core earnings	1,838	74	115	-	53	2,080
Impairment of loans and advances etc	(49)	-	-	-	-	(49)
Core earnings	686	123	128	-	(53)	884
Investment portfolio earnings	-	-	-	(47)	-	(47)
Profit before non-recurring items	686	123	128	(47)	(53)	837
Non-recurring items, net	(27)	-	-	-	-	(27)
Profit before tax	659	123	128	(47)	(53)	810

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 clients and investment funds.

Sydbank Markets comprises trading income as well as a share of the income from clients with local 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.

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

Segment Reporting etc

DKKm	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 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
Q1-Q3 2019								
Net interest and fee income	2,492	145			2,637	53		2,690
Market value adjustments	209	41		1	251	(96)	30	185
Other operating income	24				24			24
Income	2,725	186	-	1	2,912	(42)	30	2,900
Staff costs and administrative expenses			(1,989)		(1,989)	(5)	(57)	(2,050)
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment			(80)		(80)			(80)
Other operating expenses			(11)		(11)			(11)
Impairment of loans and advances etc				48	48			48
Profit/(Loss) on holdings in associates and subsidiaries	4				4			4
Profit before tax	2,729	186	(2,080)	49	884	(47)	(27)	810

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 2020 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 2019 Annual Report, to which reference is made.

The 2019 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 2019 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 2020 the probability of the downturn scenario was fixed at 95% (2019: 50%).

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 2020 an impairment charge of DKK 225m was recognised to cover the consequences of the covid-19 outbreak on the Bank’s lending portfolio 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 2019 Annual Report.

Notes

DKKm	Q1-Q3 2020	Q1-Q3 2019	Q3 2020	Q3 2019
Note 2				
Interest income calculated using the effective interest method				
Amounts owed by credit institutions and central banks	20	29	7	9
Loans and advances and other amounts owed	1,146	1,319	364	432
Other interest income	5	(9)	1	1
Interest on deposits*	192	106	67	38
Total	1,363	1,445	439	480
Other interest income				
Repo transactions with credit institutions and central banks and repo deposits*	21	18	5	10
Bonds	83	133	30	47
Total derivatives	80	96	31	47
comprising:				
Foreign exchange contracts	3	56	1	15
Interest rate contracts	77	40	30	32
Total	184	247	66	104
Total interest income	1,547	1,692	505	584
* Negative interest expense				
Fair value, designated at initial recognition	21	18	5	10
Fair value, held for trading	163	229	61	94
Assets recognised at amortised cost	1,363	1,445	439	480
Total	1,547	1,692	505	584

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 2020	Q1-Q3 2019	Q3 2020	Q3 2019
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Note 3

Interest expense

Reverse transactions with credit institutions and central banks and reverse loans and advances*	82	58	21	27
Amounts owed to credit institutions and central banks	4	18	0	6
Deposits and other debt	86	148	27	50
Bonds*	6	9	1	5
Bonds issued	82	77	27	27
Interest on amounts owed by credit institutions and central banks*	62	74	24	28
Subordinated capital	20	24	7	8
Other interest expense	2	2	0	1
Total	344	410	107	152

* Negative interest income

Fair value, designated at initial recognition	82	58	21	27
Fair value, held for trading	6	9	1	5
Liabilities recognised at amortised cost	256	343	85	120
Total	344	410	107	152

Note 4

Fee and commission income

Securities trading and custody accounts	549	542	174	181
Advisory fee, asset management	226	223	76	74
Payment services	203	236	68	81
Loan fees	145	144	49	62
Guarantee commission	109	101	36	36
Income concerning funded mortgage-like loans	88	112	26	37
Other fees and commission	309	289	103	100
Total fee and commission income	1,629	1,647	532	571
Total fee and commission expense	227	269	73	94
Net fee and commission income	1,402	1,378	459	477

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 represents DKK 7m (2019: DKK 8m) and has been deducted from commission received which is included under other fees and commission.

Notes

DKKm	Q1-Q3 2020	Q1-Q3 2019	Q3 2020	Q3 2019
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Note 5

Market value adjustments

Other loans and advances and amounts owed at fair value	2	0	0	0
Bonds	(5)	(13)	37	(47)
Shares etc	86	143	34	70
Foreign exchange	121	110	39	38
Total derivatives	35	(56)	(3)	5
Assets related to pooled plans	(558)	1,199	359	210
Deposits in pooled plans	558	(1,199)	(359)	(210)
Other assets/liabilities	0	1	0	1
Total	239	185	107	67

Note 6

Staff costs and administrative expenses

Salaries and remuneration:

Group Executive Management	13	13	4	4
Board of Directors	5	4	2	1
Shareholders' Committee	2	3	1	1
Total	20	20	7	6

Staff costs:

Wages and salaries	929	963	284	288
Pensions	93	96	32	32
Social security contributions	11	12	3	4
Payroll tax etc	134	137	42	44
Total	1,167	1,208	361	368

Other administrative expenses:

IT	553	551	179	180
Rent etc	67	74	21	15
Marketing and entertainment expenses	50	62	22	20
Other costs	162	135	29	51
Total	832	822	251	266
Total	2,019	2,050	619	640

Note 7

Staff

Average number of staff (full-time equivalent)	2,025	2,115	2,019	2,099
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Notes

DKKm	Q1-Q3 2020	Q1-Q3 2019	Q3 2020	Q3 2019
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Note 8

Other operating expenses

Contribution to the Resolution Fund	18	11	6	3
Other expenses	0	-	0	-
Total	18	11	6	3

Note 9

Impairment of loans and advances recognised in the income statement

Impairment and provisions	23	(56)	(33)	(6)
Write-offs	95	76	60	40
Recovered from debt previously written off	72	68	23	49
Impairment of loans and advances etc	46	(48)	4	(15)

Impairment and provisions at end of period (allowance account)

Stage 1	156	132	156	132
Stage 2	520	756	520	756
Stage 3	1,218	1,554	1,218	1,554
Management estimates	225	100	225	100
Impairment and provisions at end of period	2,119	2,542	2,119	2,542

Impairment and provisions

Impairment and provisions at 1 Jan	2,244	2,924	2,183	2,673
New impairment charges and provisions during the period, net	57	(18)	(22)	(10)
Impairment charges previously recorded, now finally written off	182	364	42	121
Impairment and provisions at end of period	2,119	2,542	2,119	2,542

Impairment of loans and advances	1,951	2,353	1,951	2,353
Provisions for undrawn credit commitments	52	40	52	40
Provisions for guarantees	116	149	116	149
Impairment and provisions at end of period	2,119	2,542	2,119	2,542

Losses recognised for the period constitute DKK 277m. As regards losses recognised for the period a legal claim of DKK 275m has been upheld. As regards losses recognised a legal claim of DKK 451m has been upheld at 31 December 2019.

Notes

Industry	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
	2020	2019	2020	2019	2020	2019	2020	2019
DKKm								
Note 9 – continued								
Loans and advances and guarantees as well as impairment charges for loans and advances etc by industry								
Agriculture, hunting, forestry and fisheries	3,910	4,280	439	666	(171)	71	70	134
<i>Pig farming</i>	815	890	33	110	(87)	(36)	0	60
<i>Cattle farming</i>	1,029	1,012	128	209	(38)	60	43	28
<i>Crop production</i>	965	1,198	70	113	(34)	4	11	4
<i>Other agriculture</i>	1,101	1,180	208	234	(12)	43	16	42
Manufacturing and extraction of raw materials	9,181	10,383	282	235	78	(19)	40	16
Energy supply etc	2,659	2,632	10	6	3	(9)	0	8
Building and construction	4,351	4,178	110	91	33	10	12	34
Trade	11,593	13,635	401	340	164	98	100	92
Transportation, hotels and restaurants	2,979	3,355	95	63	30	(1)	3	5
Information and communication	625	446	6	11	(5)	0	0	0
Finance and insurance	6,325	6,111	99	66	3	(12)	7	28
Real property	4,962	5,188	125	154	(43)	(57)	0	63
<i>Leasing of commercial property</i>	1,622	2,066	79	89	(22)	(17)	0	33
<i>Leasing of residential property</i>	951	1,184	27	43	(16)	(12)	0	3
<i>Housing associations and cooperative housing associations</i>	784	506	6	1	2	1	0	0
<i>Purchase, development and sale on own account</i>	1,556	1,374	10	19	(7)	(16)	0	27
<i>Other related to real property</i>	49	58	3	2	0	(13)	0	0
Other industries	3,378	3,814	139	98	27	(7)	2	8
Total corporate	49,963	54,022	1,706	1,730	119	74	234	388
Public authorities	181	287	0	1	-	-	-	-
Retail	24,306	28,367	413	513	(73)	(122)	43	52
Total	74,450	82,676	2,119	2,244	46	(48)	277	440

Notes

DKKm	Q1-Q3 2020	Q1-Q3 2019	Q3 2020	Q3 2019
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Note 10

Profit/(Loss) on holdings in associates and subsidiaries

Profit/(Loss) on holdings in associates etc	6	4	2	1
Total	6	4	2	1

Note 11

Effective tax rate

Current tax rate of Sydbank	22.0	22.0	22.0	22.0
Permanent differences (tax-free capital gain etc)	-	(3.2)	-	(3.3)
Adjustment of prior year tax charges	0.0	0.0	0.0	0.0
Effective tax rate	22.0	18.8	22.0	18.7

DKKm	30 Sep 2020	31 Dec 2019	30 Sep 2019
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Note 12

Amounts owed by credit institutions and central banks

Amounts owed at notice by central banks	6,131	4,266	4,246
Amounts owed by credit institutions	8,873	4,597	10,867
Total	15,004	8,863	15,113
Of which reverse transactions	4,638	3,062	9,704

Notes

DKKm	Stage 1	Stage 2	Stage 3	30 Sep 2020 Total	31 Dec 2019 Total
Note 13					
Loans and advances, guarantees and allowance account by stage					
Loans and advances before impairment charges	52,058	3,673	2,190	57,921	62,616
Guarantees	15,760	621	148	16,529	20,060
Total loans and advances and guarantees	67,818	4,294	2,338	74,450	82,676
%	91.1	5.8	3.1	100.0	
Impairment charges for loans and advances	174	643	1,134	1,951	2,062
Provisions for undrawn credit commitments	29	19	4	52	42
Provisions for guarantees	9	27	80	116	140
Total allowance account	212	689	1,218	2,119	2,244
Allowance account at 1 Jan	131	845	1,268	2,244	2,924
New impairment charges and provisions during the period, net	81	(156)	132	57	(59)
Impairment charges previously recorded, now finally written off	-	-	(182)	(182)	(464)
Of which at end of period concerning subsidiary	-	-	-	-	(157)
Total allowance account at end of period	212	689	1,218	2,119	2,244
Impairment charges as % of loans and advances	0.3	17.5	51.8	3.4	3.3
Provisions as % of guarantees	0.1	4.3	54.1	0.7	0.7
Allowance account as % of loans and advances and guarantees	0.3	16.0	52.1	2.8	2.7
Loans and advances before impairment charges	52,058	3,673	2,190	57,921	62,616
Impairment charges for loans and advances	174	643	1,134	1,951	2,062
Loans and advances after impairment charges	51,884	3,030	1,056	55,970	60,554
%	92.7	5.4	1.9	100.0	

Notes

DKKm	Stage 1	Stage 2	Stage 3	30 Sep 2020 Total	31 Dec 2019 Total
Note 13 – continued					
Loans and advances before impairment charges					
Rating category					
1	5,410	1		5,411	5,595
2	16,340	2		16,342	13,752
3	14,982	1		14,983	20,010
4	7,733	8		7,741	8,326
5	4,525	742		5,267	5,105
6	1,641	496		2,137	3,005
7	92	286		378	747
8		427		427	469
9		1,680	1,453	3,133	3,202
Default			720	720	1,025
NR/STD	1,335	30	17	1,382	1,380
Total	52,058	3,673	2,190	57,921	62,616

Impairment charges for loans and advances

Rating category					
1	1			1	-
2	43			43	17
3	23			23	16
4	45			45	24
5	28	31		59	27
6	16	26		42	37
7	6	55		61	28
8		99		99	25
9		426	697	1,123	1,074
Default			437	437	563
NR/STD	12	6		18	26
Collective impairment charges					225
Total	174	643	1,134	1,951	2,062

Loans and advances after impairment charges

Rating category					
1	5,409	1		5,410	5,595
2	16,297	2		16,299	13,735
3	14,959	1		14,960	19,994
4	7,688	8		7,696	8,302
5	4,497	711		5,208	5,078
6	1,625	470		2,095	2,968
7	86	231		317	719
8		328		328	444
9		1,254	756	2,010	2,128
Default			283	283	462
NR/STD	1,323	24	17	1,364	1,354
Collective impairment charges					(225)
Total	51,884	3,030	1,056	55,970	60,554

Notes

DKKm	Stage 1	Stage 2	Stage 3	30 Sep 2020 Total	31 Dec 2019 Total
Note 13 – continued					
Loans and advances before impairment charges					
1 Jan	55,955	4,470	2,191	62,616	63,691
Transfers between stages					
Transferred to stage 1	1,169	(1,092)	(77)	-	-
Transferred to stage 2	(1,260)	1,429	(169)	-	-
Transferred to stage 3	(183)	(553)	736	-	-
New exposures	10,832	409	235	11,476	15,472
Redeemed exposures	(10,290)	(587)	(152)	(11,029)	(12,947)
Changes in balances	(4,165)	(403)	(297)	(4,865)	(2,581)
Write-offs			(277)	(277)	(598)
Acquisition of entity				-	(421)
End of period	52,058	3,673	2,190	57,921	62,616
Impairment charges for loans and advances					
1 Jan	104	790	1,168	2,062	2,708
Transfers between stages					
Transferred to stage 1	216	(182)	(34)	-	-
Transferred to stage 2	(4)	68	(64)	-	-
Transferred to stage 3	(1)	(127)	128	-	-
New exposures	44	137	111	292	207
Redeemed exposures	(21)	(81)	(59)	(161)	(266)
Changes in balances	(164)	38	66	(60)	34
Write-offs			(182)	(182)	(464)
Acquisition of entity				-	(157)
End of period	174	643	1,134	1,951	2,062
Loans and advances after impairment charges					
1 Jan	55,851	3,680	1,023	60,554	60,983
Transfers between stages					
Transferred to stage 1	953	(910)	(43)	-	-
Transferred to stage 2	(1,256)	1,361	(105)	-	-
Transferred to stage 3	(182)	(426)	608	-	-
New exposures	10,788	272	124	11,184	15,265
Redeemed exposures	(10,269)	(506)	(93)	(10,868)	(12,681)
Changes in balances	(4,001)	(441)	(363)	(4,805)	(2,615)
Write-offs			(95)	(95)	(134)
Acquisition of entity				-	(264)
End of period	51,884	3,030	1,056	55,970	60,554

Notes

DKKm	30 Sep 2020	31 Dec 2019	30 Sep 2019
Note 14			
Other assets			
Positive market value of derivatives etc	4,956	4,834	6,056
Sundry debtors	954	983	698
Interest and commission receivable	118	148	166
Cash collateral provided, CSA agreements	2,065	1,844	2,500
Other assets	0	0	0
Total	8,093	7,809	9,420
Note 15			
Amounts owed to credit institutions and central banks			
Amounts owed to central banks	1	12	37
Amounts owed to credit institutions	6,048	5,485	8,408
Total	6,049	5,497	8,445
Of which repo transactions	3,128	2,227	3,996
Note 16			
Deposits and other debt			
On demand	77,975	76,025	76,414
At notice	152	194	212
Time deposits	1,209	3,815	7,851
Special categories of deposits	3,536	4,261	4,600
Total	82,872	84,295	89,077
Of which repo transactions	1,071	2,419	3,374
Of which secured lending	-	1,000	4,000
Note 17			
Other liabilities			
Negative market value of derivatives etc	5,069	4,958	6,371
Sundry creditors	5,324	4,936	5,248
Negative portfolio, reverse transactions	10,072	6,763	12,874
Lease liability	64	73	78
Interest and commission etc	51	86	70
Cash collateral received, CSA agreements	610	544	734
Total	21,190	17,360	25,375

Notes

DKKm	30 Sep 2020	31 Dec 2019	30 Sep 2019
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Note 18

Provisions

Provisions for pensions and similar obligations	3	3	3
Provisions for deferred tax	291	291	269
Provisions for guarantees	116	140	149
Other provisions*	52	43	43
Total	462	477	464

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

Note 19

Subordinated capital

Interest rate	Note		Nominal (m)	Maturity			
2.13 (fixed)	1)	Bond loan	EUR 100	11 Mar 2027	743	745	744
1.39 (floating)	2)	Bond loan	EUR 75	2 Nov 2029	557	558	558
0.07 (floating)	3)	Bond loan	EUR 75	Perpetual	558	560	560
Total T2 capital					1,858	1,863	1,862
Total subordinated capital					1,858	1,863	1,862

- 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	5,904	4,147	4,605
Mortgage finance guarantees	3,793	3,150	3,395
Funded mortgage-like loan guarantees	1,318	1,645	1,645
Registration and remortgaging guarantees	3,727	9,351	7,871
Other contingent liabilities	1,787	1,767	1,600
Total	16,529	20,060	19,116

Other obligating agreements

Irrevocable credit commitments	1,222	1,242	792
Other liabilities	12	12	96
Total	1,234	1,254	888

Notes

DKKm	30 Sep 2020	31 Dec 2019	30 Sep 2019
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Note 20 – continued

Totalkredit loans arranged for by Sydbank are subject to 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 6.7% 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 2020 the Group had deposited as collateral securities at a market value of DKK 1,284m with Danish and foreign exchanges and clearing centres etc in connection with margin calls and securities settlements etc. In addition the Group had provided cash collateral of DKK 2,065m and deposited as collateral securities at a market value of DKK 1m 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	4,188	4,634	7,345
Shares	-	-	1

Assets purchased as part of reverse transactions

Bonds at fair value	20,993	15,768	22,144
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Notes

DKKm	Q1-Q3 2020	Q1-Q3 2019	Index 20/19	31 Dec 2019
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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 2020. Reference is made to the Group's 2019 Annual Report for a detailed description of related party transactions.

Note 23

Reporting events occurring after the balance sheet date

Sydbank A/S and Alm. Brand A/S have concluded an agreement to the effect that Sydbank will acquire Alm. Brand Bank and consequently take over all the bank's employees and customers. The implementation of the acquisition is conditional upon the approval of the implementation of the acquisition by the Danish Financial Supervisory Authority and the Danish Competition and Consumer Authority.

The parties have agreed a price involving the payment of the value of the equity at the date of acquisition less intellectual property rights and plus DKK 25m. The cash purchase price cannot be finally calculated until the date of acquisition. The provisionally calculated purchase price totals DKK 1,833m, equal to 95% of book equity.

The acquisition includes approx 55,000 NemKonto (Easy Account) customers, bank loans and advances totalling DKK 4.8bn and arranged Totalkredit mortgage loans representing DKK 16.9bn. It must be expected that the acquired portfolio of loans and advances of DKK 4.8bn will decrease to between DKK 3.5bn and DKK 4.0bn in the long term.

The expected decline is mainly attributable to an expectation that loans and advances to weak corporate clients will be phased out.

Moreover the agreement involves the establishment of a partnership to create attractive value propositions for bank customers and insurance customers. The partnership is expected to increase the business volume and earnings of both parties.

Note 24

Large shareholders

Silchester International Investors LLP, London, owns more than 15% of Sydbank's share capital.

Note 25

Core income

Net interest etc	1,104	1,120	99	1,483
Mortgage credit*	445	467	95	620
Payment services	111	141	79	180
Remortgaging and loan fees	128	122	105	174
Commission and brokerage	271	230	118	319
Commission etc investment funds and pooled pension plans	209	248	84	326
Asset management	210	197	107	269
Custody account fees	58	52	112	70
Other operating income	175	152	115	214
Total	2,711	2,729	99	3,655

* Mortgage credit

Totalkredit cooperation	362	378	96	503
Totalkredit, set-off of loss	7	11	64	17
Totalkredit cooperation, net	355	367	97	486
DLR Kredit	89	98	91	131
Other mortgage credit income	1	2	50	3
Total	445	467	95	620

Notes

DKKkm	Mandatory fair value (trading portfolio)	Fair value option	FVOCI	Total fair value	30 Sep 2020 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				-	2,402
Amounts owed by credit institutions and central banks	4,638			4,638	10,366
Loans and advances at fair value	16,106			16,106	-
Loans and advances at amortised cost				-	55,970
Bonds at fair value	13,273	17,363		30,636	-
Shares etc	129	1,921	130	2,180	-
Assets related to pooled plans		19,001		19,001	-
Real property			1,123	1,123	-
Other assets	4,974	46		5,020	3,073
Total	39,120	38,331	1,253	78,704	71,881
Undrawn credit commitments				-	48,872
Maximum credit risk, collateral not considered	39,120	38,331	1,253	78,704	120,683
Financial liabilities					
Amounts owed to credit institutions and central banks	3,128			3,128	2,921
Deposits and other debt	1,071			1,071	81,801
Deposits in pooled plans			19,001	19,001	-
Bonds issued at amortised cost				-	7,422
Other liabilities	15,144			15,144	6,046
Subordinated capital				-	1,858
Total	19,343	19,001	-	38,344	100,048

Notes

DKKm	Mandatory fair value (trading portfolio)	Fair value option	FVOCI	31 Dec 2019	
				Total fair value	AMC
Note 26 – continued					
Financial assets					
Cash and balances on demand at central banks				-	2,428
Amounts owed by credit institutions and central banks	3,062			3,062	5,801
Loans and advances at fair value	12,602			12,602	-
Loans and advances at amortised cost				-	60,554
Bonds at fair value	20,067	12,290		32,357	-
Shares etc	159	1,887	165	2,211	-
Assets related to pooled plans		19,042		19,042	-
Other assets	4,886	34		4,920	2,889
Total	40,776	33,253	165	74,194	71,672
Undrawn credit commitments				-	41,599
Maximum credit risk, collateral not considered	40,776	33,253	165	74,194	113,271
Financial liabilities					
Amounts owed to credit institutions and central banks	2,227			2,227	3,270
Deposits and other debt	2,419			2,419	81,876
Deposits in pooled plans			19,042	19,042	-
Bonds issued at amortised cost				-	7,437
Other liabilities	11,724			11,724	5,636
Subordinated capital				-	1,863
Total	16,370	19,042		35,412	100,082

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 2020 CVA constituted DKK 19m compared to DKK 19m at year-end 2019.

Client margins recognised in connection with derivatives are amortised over the life of the transaction. At 30 September 2020 client margins presently not recognised as income totalled DKK 22m compared to DKK 26m at year-end 2019.

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 191m (31 December 2019: DKK 186m).

Notes

DKKkm	Quoted prices	Observable inputs	Unobservable inputs	Total fair value	Carrying amount
Note 26 – continued					
30 Sep 2020					
Financial assets					
Amounts owed by credit institutions and central banks	-	4,638	-	4,638	4,638
Loans and advances at fair value	-	16,106	-	16,106	16,106
Bonds at fair value	-	30,636	-	30,636	30,636
Shares etc	257	24	1,899	2,180	2,180
Assets related to pooled plans	8,058	10,943	-	19,001	19,001
Real property	-	-	1,123	1,123	1,123
Other assets	361	4,660	-	5,021	5,021
Total	8,676	67,007	3,022	78,705	78,705
Financial liabilities					
Amounts owed to credit institutions and central banks	-	3,128	-	3,128	3,128
Deposits and other debt	-	1,071	-	1,071	1,071
Deposits in pooled plans	-	19,001	-	19,001	19,001
Other liabilities	230	14,914	-	15,144	15,144
Total	230	38,114	-	38,344	38,344
31 Dec 2019					
Financial assets					
Amounts owed by credit institutions and central banks	-	3,062	-	3,062	3,062
Loans and advances at fair value	-	12,602	-	12,602	12,602
Bonds at fair value	-	32,357	-	32,357	32,357
Shares etc	308	40	1,863	2,211	2,211
Assets related to pooled plans	7,347	11,695	-	19,042	19,042
Other assets	388	4,532	-	4,920	4,920
Total	8,043	64,288	1,863	74,194	74,194
Financial liabilities					
Amounts owed to credit institutions and central banks	-	2,227	-	2,227	2,227
Deposits and other debt	-	2,419	-	2,419	2,419
Deposits in pooled plans	-	19,042	-	19,042	19,042
Other liabilities	291	11,433	-	11,724	11,724
Total	291	35,121	-	35,412	35,412

DKKkm	30 Sep 2020	31 Dec 2019	30 Sep 2019
Assets measured on the basis of unobservable inputs			
Carrying amount at 1 Jan		1,863	1,800
Additions		3	-
Disposals		46	82
Market value adjustment		79	114
Carrying amount at end of period		1,899	1,863
Recognised in profit for the period			
Dividend		18	26
Market value adjustment		79	114
Total		97	140

Notes

DKKm	30 Sep 2020	31 Dec 2019	30 Sep 2019
Note 27			
Leverage ratio			
Leverage ratio exposures			
Total assets	151,115	147,738	162,526
Of which pooled assets	(19,001)	(19,042)	(18,270)
Correction derivatives etc	11,012	6,093	8,318
Guarantees etc	16,529	20,060	19,116
Undrawn credit commitments etc	11,406	10,685	10,713
Other adjustments	(721)	(745)	(942)
Total	170,340	164,789	181,461
T1 capital – current (transitional rules)	10,851	10,722	10,179
T1 capital – fully loaded	10,739	10,554	10,008
Leverage ratio (%) – current (transitional rules)	6.4	6.5	5.6
Leverage ratio (%) – fully loaded	6.3	6.4	5.5

30 Sep 2020	Activity	Sydbank Group				
		Share capital (m)	Equity (DKKm)	Profit/ (Loss) (DKKm)	Ownership share (%)	
Note 28						
Group holdings and enterprises						
Sydbank A/S		DKK	597			
Consolidated subsidiaries						
Syd Administration A/S, Aabenraa	Inv. & adm.	DKK	300	2,034	2	100
Ejendomsselskabet af 1. juni 1986 A/S, Aabenraa	Real property	DKK	11	12	7	100
Syd Fund Management A/S, Aabenraa	Administration	DKK	100	114	16	69
Sydbank (Schweiz) AG in Liquidation, St. Gallen, Switzerland*	-	CHF	40	242	(3)	100
Held for sale						
Green Team Group A/S, Sønder Omme***	Wholesale	DKK	101	11	-	100
Holdings in associates						
Foreningen Bankdata, Fredericia**	IT	DKK	472	476	(55)	30
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

* With no activity at 30 September 2020.

** Financial information according to the companies' most recently published annual reports (2019).

*** Entity acquired on 1 October 2019.

Management Statement

We have reviewed and approved the Interim Report – Q1-Q3 2020 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.

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 2020 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 2020. 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, 28 October 2020

Group Executive Management

Karen Frøsig
CEO

Henning Dam

Bjarne Larsen

Jørn Adam Møller

Board of Directors

Lars Mikkjelgaard-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 the Group's preliminary announcement of financial statements will be released as follows:

- Announcement of the 2020 Financial Statements
2 March 2021
- Annual General Meeting 2021*
25 March 2021
- Interim Report – Q1 2021
28 April 2021
- Interim Report – First Half 2021
25 August 2021
- Interim Report – Q1-Q3 2021
27 October 2021

* Business to be transacted at the Bank's AGM scheduled for 25 March 2021 must have been received by the Bank in writing no later than on 11 February 2021.

The preliminary announcements of financial statements are expected to be released at 8.30am on the dates listed above. The preliminary announcements of financial statements will be available at sydbank.dk and sydbank.com immediately following their release.

Sydbank contacts

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Relevant links

sydbank.dk
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For further information reference is made to Sydbank's 2019 Annual Report at sydbank.com.