
Interim Report – Q1 2020

Sydbank Group

Sydbank

Sydbank's Interim Report – Q1 2020

The first 3 months of 2020 were impacted by the negative effects of covid-19 and by a positive development in the Group's core income

Q1 2020 – highlights

- Profit of DKK 55m equals a return on equity of 1.6% p.a. after tax.
- Core income of DKK 960m is 7% higher compared with the same period in 2019.
- Costs (core earnings) constitute DKK 718m and are unchanged compared to the same period in 2019.
- Impairment charges for loans and advances represent an expense of DKK 84m compared with an income of DKK 14m in the same period in 2019.
- Total credit intermediation amounts to DKK 145.0bn – the same level as at year-end 2019.
- At the coming AGM dividend distribution for 2019 will no longer be recommended. Consequently total capital has gone up by DKK 352m, equal to a 0.6 percentage point increase in the capital ratios.
- The initiated share buyback programme of DKK 250m was terminated on 17 March 2020. Repurchases total DKK 31.3m.
- The CET1 ratio has risen by 1.2 percentage points compared to 31 December 2019 and constitutes 19.0% excluding profit for the period.

CEO Karen Frøsig comments on Sydbank's Q1 result:

- It is good news that in Q1 we can see the effect of the measures we have taken to ensure a better balance between income and costs. The development in core income as well as costs is completely as planned when the measures were announced. Core income is up by 7% compared with the same period in 2019 and costs are unchanged.

CEO Karen Frøsig on the effects of covid-19 on the Bank's income:

- We are experiencing a health crisis which will also lead to a global recession. The implications for financial markets have been considerable and we must expect a rise in the number of bankruptcies and unemployed. Expected losses on loans are increasing. However I am pleased that despite these negative effects we have achieved a positive result for Q1 2020. Moreover the Bank's liquidity and capital base are so strong that we do not anticipate that any negative effects of covid-19 will influence our lending capacity.

Board chairman Lars Mikkellaard-Jensen on other effects of covid-19:

- Due to the ban on gatherings of more than 10 persons the AGM has been postponed until further notice. The AGM will be held when gatherings of at least 100 persons are permitted again.
- The Board of Directors has decided to terminate the initiated share buyback programme and we have withdrawn our recommendation to the AGM to distribute dividend on the basis of the 2019 results. These decisions were made due to reasons of prudence, the authorities' recommendations and to signal our wish to support our customers.

Outlook for 2020

- Significant negative growth is projected for the Danish economy in 2020.
- As a consequence of the income measures implemented, core income is expected to exceed the core income generated in 2019.
- Despite underlying cost inflation, costs (core earnings) are projected to be at the same level as in 2019.
- Impairment charges for 2020 will be adversely impacted by the effects of covid-19.
- With the aim of enhancing efficiency and automating processes, investments of around DKK 75m will be made. This investment is recognised under non-recurring items.
- Profit after tax is expected to be in the range of DKK 400-800m.
- The expectations regarding impairment charges and profit after tax are subject to significant uncertainty at the moment.

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Group Financial Highlights

	Q1 2020	Q1 2019	Index 20/19	Full year 2019
Income statement (DKKm)				
Core income	960	900	107	3,655
Trading income	7	96	7	224
Total income	967	996	97	3,879
Costs, core earnings	718	719	100	2,783
Core earnings before impairment	249	277	90	1,096
Impairment of loans and advances etc	84	(14)	-	(97)
Core earnings	165	291	57	1,193
Investment portfolio earnings	(78)	(14)	-	(61)
Profit before non-recurring items	87	277	31	1,132
Non-recurring items, net	(17)	(17)	100	(51)
Profit before tax	70	260	27	1,081
Tax	15	55	27	228
Profit for the period	55	205	27	853
Balance sheet highlights (DKKbn)				
Loans and advances at amortised cost	60.0	60.9	99	60.6
Loans and advances at fair value	19.6	6.7	293	12.6
Deposits and other debt	82.2	86.3	95	84.3
Bonds issued at amortised cost	7.4	7.4	100	7.4
Subordinated capital	1.9	1.9	100	1.9
AT1 capital	0.8	0.8	100	0.8
Shareholders' equity	11.0	10.5	105	11.0
Total assets	150.2	145.6	103	147.7
Financial ratios per share (DKK per share of DKK 10)				
Profit for the period	0.7	3.2		13.4
Share price at end of period	96.1	138.0		139.8
Book value	185.8	172.6		184.9
Share price/book value	0.52	0.80		0.76
Average number of shares outstanding (in millions)	59.2	61.0		60.4
Dividend per share	-	-		-
Other financial ratios and key figures				
CET1 ratio	19.0	16.9		17.8
T1 capital ratio	20.6	18.5		19.4
Capital ratio	24.3	22.0		22.9
Pre-tax profit as % p.a. of average equity	2.1	9.3		9.7
Post-tax profit as % p.a. of average equity	1.6	7.3		7.5
Costs (core earnings) as % of total income	74.3	72.2		71.7
Return on assets (%)	0.04	0.14		0.59
Interest rate risk	0.6	0.5		1.6
Foreign exchange position	2.3	1.4		1.6
Foreign exchange risk	0.0	0.0		0.0
Liquidity, LCR (%)	196	186		174
Loans and advances relative to deposits	0.6	0.6		0.6
Loans and advances relative to equity	5.5	5.8		5.5
Growth in loans and advances during the period	(0.9)	(0.2)		(0.7)
Total large exposures	141	147		143
Accumulated impairment ratio	2.7	3.6		2.7
Impairment ratio for the period	0.10	(0.02)		(0.12)
Number of full-time staff at end of period	2,004	2,111	95	2,030

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

Highlights

Q1 2020 was impacted by the negative effects of covid-19 as well as a rise in core income as a result of the measures to strike a better balance between income and costs

Sydbank's financial statements for Q1 show a pre-tax profit of DKK 70m compared with DKK 260m in the same period in 2019. The decline is attributable to negative effects of covid-19 which have resulted in a decline in trading income of DKK 89m, impairment charges of DKK 84m and negative investment portfolio earnings of DKK 78m.

Profit before tax equals a return of 2.1% p.a. on average equity.

Core income in Q1 2020 exceeds the expectations presented in the 2019 Annual Report – predominantly as a result of higher commission and brokerage income due to increased trading activity.

Net interest etc constitutes DKK 389m compared with DKK 381m in 2019 – a rise of DKK 8m.

Core income constitutes DKK 960m compared with DKK 900m in 2019 – an increase of DKK 60m.

Trading income, impairment charges and investment portfolio earnings in Q1 2020 are lower than expected in the 2019 Annual Report as a result of negative effects of covid-19.

Total income amounts to DKK 967m compared with DKK 996m in 2019 – a decline of DKK 29m.

Costs (core earnings) in Q1 2020 are on a par with the expectations presented in the 2019 Annual Report.

Core earnings constitute DKK 165m compared with DKK 291m in 2019 – a decrease of DKK 126m.

Profit for the period amounts to DKK 55m compared with DKK 205m in 2019 – a decline of DKK 150m.

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 performance

Core income totals DKK 960m, which is DKK 60m higher than in Q1 2019. The development in core income is mainly attributable to a rise in commission and brokerage.

Trading income constituted DKK 7m in Q1 2020 compared with DKK 96m in the same period in 2019.

Total income represents DKK 967m, a decrease of DKK 29m compared with the same period in 2019.

Costs (core earnings) constitute DKK 718m compared with DKK 719m in 2019 – a decrease of DKK 1m.

The Group's impairment charges for loans and advances represent an expense of DKK 84m compared with an income of DKK 14m in Q1 2019.

Together the Group's position-taking and liquidity handling recorded negative investment portfolio earnings of DKK 78m in Q1 2020 compared with negative earnings of DKK 14m a year ago.

Non-recurring items represent an expense of DKK 17m, equal to the expense in Q1 2019. The item consists of costs related to "A stronger bank".

Profit before tax for Q1 2020 amounts to DKK 70m compared with DKK 260m in the same period in 2019. Tax represents DKK 15m, equivalent to an effective tax rate of 22.0%. Profit for the period amounts to DKK 55m compared with DKK 205m in 2019.

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 31 March 2020 credit intermediation totalled DKK 145.0bn and is at the same level as at year-end 2019.

Total credit intermediation (DKKbn)	31 Mar 2020	31 Dec 2019
Bank loans and advances	60.0	60.6
Funded mortgage-like loans	7.9	8.3
Arranged mortgage loans – Totalkredit	65.8	64.7
Arranged mortgage loans – DLR	11.3	11.5
Total	145.0	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 31.3m.

Outlook for 2020

Significant negative growth is projected for the Danish economy in 2020.

As a consequence of the income measures implemented, core income is expected to exceed the core income generated in 2019.

Despite underlying cost inflation, costs (core earnings) are projected to be at the same level as in 2019.

Impairment charges for 2020 will be adversely impacted by the effects of covid-19.

With the aim of enhancing efficiency and automating processes, investments of around DKK 75m will be made. This investment is recognised under non-recurring items.

Profit after tax is expected to be in the range of DKK 400-800m.

The expectations regarding impairment charges and profit after tax are subject to significant uncertainty at the moment.

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 2020

The Sydbank Group has recorded a profit before tax of DKK 70m (Q1 2019: DKK 260m).

Profit before tax equals a return of 2.1% p.a. on average equity.

Profit for the period after tax represents DKK 55m compared with DKK 205m in 2019.

Profit after tax equals a return of 1.6% p.a. on average equity.

Profit for Q1 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 rise in core income of DKK 60m to DKK 960m
- A drop in trading income of DKK 89m due to uncertainty caused by covid-19
- Unchanged costs (core earnings) – despite underlying cost inflation
- Impairment charges of DKK 84m due to covid-19
- A decrease in core earnings of DKK 126m to DKK 165m
- Negative investment portfolio earnings of DKK 78m due to covid-19
- Bank loans and advances of DKK 60.0bn (year-end 2019: DKK 60.6bn)
- Bank deposits of DKK 82.2bn (year-end 2019: DKK 84.3bn)
- A CET1 ratio of 19.0% (year-end 2019: 17.8%)
- An individual solvency need of 11.5% (year-end 2019: 10.8%).

Income statement – Q1 (DKKm)	2020	2019
Core income	960	900
Trading income	7	96
Total income	967	996
Costs, core earnings	718	719
Core earnings before impairment	249	277
Impairment of loans and advances etc	84	(14)
Core earnings	165	291
Investment portfolio earnings	(78)	(14)
Profit before non-recurring items	87	277
Non-recurring items, net	(17)	(17)
Profit before tax	70	260
Tax	15	55
Profit for the period	55	205

Core income

Core income represents DKK 960m – an increase of DKK 60m compared with 2019.

Net interest has risen by DKK 8m to DKK 389m compared with 2019.

Net income from the cooperation with Totalkredit represents DKK 123m (2019: DKK 112m) after a set-off of loss of DKK 3m (2019: DKK 6m).

The cooperation with DLR Kredit has generated an income of DKK 30m (2019: DKK 29m).

Total mortgage credit income has climbed by DKK 13m to DKK 154m – an increase of 9% compared to 2019.

Income from remortgaging and loan fees has gone up from DKK 34m in 2019 to DKK 48m – an increase of 41%.

Income from mortgage credit as well as remortgaging and loan fees was positively affected in the amount of DKK 12m due to higher remortgaging activity in Q1 2020 compared with Q1 2019.

Compared to 2019 commission and brokerage income has risen by DKK 29m to DKK 107m. The rise is attributable to increased trading activity.

The remaining income components have dropped by DKK 4m – a decrease of 1%.

Core income – Q1 (DKKm)	2020	2019
Net interest etc	389	381
Mortgage credit	154	141
Payment services	40	48
Remortgaging and loan fees	48	34
Commission and brokerage	107	78
Commission etc investment funds and pooled pension plans	73	84
Asset management	70	66
Custody account fees	20	18
Other operating income	59	50
Total	960	900

Trading income

Trading income constituted DKK 7m in Q1 2020 compared with DKK 96m in the same period in 2019.

In Fixed Income considerable trading activity was recorded in mortgage bonds in Q1 2020. In Equities income was affected by the negative market trend in Q1 2020.

Costs and depreciation

The Group's costs and depreciation totalled DKK 737m, which is unchanged compared with 2019.

Costs and depreciation – Q1 (DKKm)	2020	2019
Staff costs	410	425
Other administrative expenses	299	282
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment	23	27
Other operating expenses	5	4
Total costs and depreciation	737	738
Distributed as follows:		
Costs, core earnings	718	719
Costs, investment portfolio earnings	2	2
Non-recurring costs	17	17

Costs (core earnings) represent DKK 718m compared with DKK 719m in 2019.

At 31 March 2020 the Group's staff numbered 2,004 (full-time equivalent) compared with 2,111 at 31 March 2019.

The number of branches has been reduced by 2 compared with year-end 2019, bringing the number of branches to 58 in Denmark and 3 in Germany at end-March 2020.

Core earnings before impairment

Core earnings before impairment charges for loans and advances represent DKK 249m – a decrease of DKK 28m or 10% compared with the same period in 2019.

Impairment of loans and advances etc

Impairment charges for loans and advances represent an expense of DKK 84m compared with an income of DKK 14m in the same period in 2019.

In the first quarter Sydbank recorded impairment charges of around DKK 175m due to covid-19. Moreover the Bank recorded reversals for instance as regards agriculture. Impairment charges for the quarter represent DKK 84m.

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 31 March 2020 Sydbank's unsecured loans in the weakest rating categories (exclusive of agriculture, but including mink farming) amount to DKK 610m. These loans 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, equal to approx 20%.

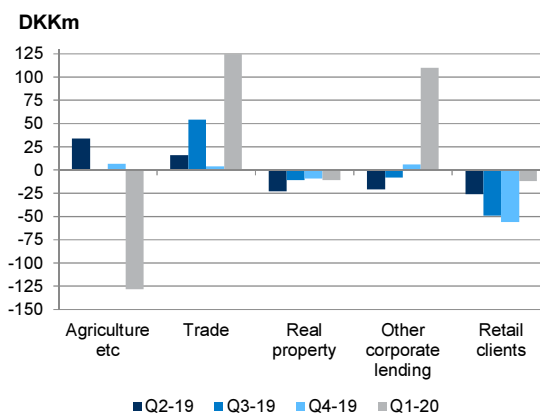
Furthermore the impairment charges include a management estimate of DKK 100m to cover unforeseen events as regards the remaining part of the lending portfolio, the credit risk of which is satisfactory or normal.

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

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 31 March 2020 represents 0.10%. At end-March 2020 accumulated impairment and provisions amounted to DKK 2,256m – an increase of DKK 12m compared with year-end 2019.

In Q1 2020 reported losses amounted to DKK 101m (Q1 2019: DKK 155m). Of the reported losses an impairment charge of DKK 80m (Q1 2019: DKK 152m) 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 31 March 2020 allocated to these 3 stages are shown below.

Loans/advances and impairment charges – 31 Mar 2020				
(DKKm)	Stage 1	Stage 2	Stage 3	Total
Loans/advances before impairment charges	55,552	4,179	2,373	62,104
Impairment charges	178	682	1,224	2,084
Loans/advances after impairment charges	55,374	3,497	1,149	60,020

31 Mar 2020	Stage 1	Stage 2	Stage 3	Total
Impairment charges as % of bank loans and advances	0.3	16.3	51.6	3.4
Share of bank loans and advances before impairment charges (%)	89.5	6.7	3.8	100.0
Share of bank loans and advances after impairment charges (%)	92.3	5.8	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 31 March 2020 stand at 51.6% (year-end 2019: 53.3%).

Core earnings

Core earnings represent DKK 165m – a drop of DKK 126m or 43% 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 78m in Q1 2020 compared with negative earnings of DKK 14m a year ago.

The investment portfolio earnings in Q1 2020 are primarily a consequence of increased uncertainty, which has also resulted in widening credit spreads on mortgage bonds and corporate bonds.

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

Investment portfolio earnings – Q1 (DKKm)	2020	2019
Position-taking	(48)	(20)
Liquidity generation and liquidity reserves	(26)	7
Strategic positions	(2)	1
Costs	(2)	(2)
Total	(78)	(14)

Non-recurring items, net

Non-recurring items represent a net expense of DKK 17m, equal to the expense in Q1 2019. The item consists of costs related to "A stronger bank".

Profit for the period

Profit before tax amounts to DKK 70m (Q1 2019: DKK 260m). Tax represents DKK 15m, equivalent to an effective tax rate of 22.0%. Profit for the period amounts to DKK 55m compared with DKK 205m in 2019.

Return

Profit for the period equals a return on average equity of 1.6% p.a. after tax against 7.3% p.a. in Q1 2019. Earnings per share stands at DKK 0.7 compared with DKK 3.2 in 2019.

Subsidiaries

Ejendomsselskabet has recorded a profit after tax of DKK 2m (Q1 2019: DKK 2m). Profit after tax in Syd Administration A/S and Syd Fund Management A/S represents minus DKK 2m (Q1 2019: DKK 0m) and DKK 6m (Q1 2019: DKK 6m) respectively. Profit after tax in Sydbank (Schweiz) AG in Liquidation constitutes minus DKK 3m (Q1 2019: DKK 0m).

Q1 2020 compared with Q4 2019

Profit before tax for Q1 represents DKK 70m (Q4 2019: DKK 271m).

Compared with Q4 2019 profit before tax reflects:

- a rise in core income of DKK 34m
- a drop in trading income of DKK 31m
- an increase in costs (core earnings) of DKK 15m
- a rise in impairment charges for loans and advances of DKK 132m
- a decline in core earnings of DKK 144m to DKK 165m
- investment portfolio earnings of minus DKK 78m (Q4 2019: minus DKK 14m).

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

Total assets

The Group's total assets made up DKK 150.2bn at 31 March 2020 against DKK 147.7bn at year-end 2019.

Assets (DKKbn)	31 Mar 2020	31 Dec 2019
Amounts owed by credit institutions etc	16.0	11.3
Loans and advances at fair value (reverse transactions)	19.6	12.6
Loans and advances at amortised cost (bank loans and advances)	60.0	60.6
Securities and holdings etc	27.0	34.7
Assets related to pooled plans	17.1	19.0
Other assets etc	10.5	9.5
Total	150.2	147.7

The Group's bank loans and advances made up DKK 60.0bn at end-March 2020 against DKK 60.6bn at year-end 2019 and DKK 60.9bn at end-March 2019.

Equity and liabilities (DKKbn)	31 Mar 2020	31 Dec 2019
Amounts owed to credit institutions etc	7.6	5.5
Deposits and other debt	82.2	84.3
Deposits in pooled plans	17.1	19.0
Bonds issued	7.4	7.4
Other liabilities etc	21.7	17.3
Provisions	0.5	0.5
Subordinated capital	1.9	1.9
Equity	11.8	11.8
Total	150.2	147.7

The Group's deposits made up DKK 82.2bn against DKK 84.3bn at year-end 2019 and DKK 86.3bn at

end-March 2019. Other liabilities represented DKK 21.7bn compared to DKK 17.3bn at year-end 2019. The increase is attributable to negative portfolio reverse transactions.

Capital

At 31 March 2020 shareholders' equity constituted DKK 10,969m – an increase of DKK 3m since year-end 2019. The change comprises an addition from profit for the period of DKK 43m, net purchases of own shares etc of DKK 30m as well as a negative value adjustment of strategic shares of DKK 10m.

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 31.3m.

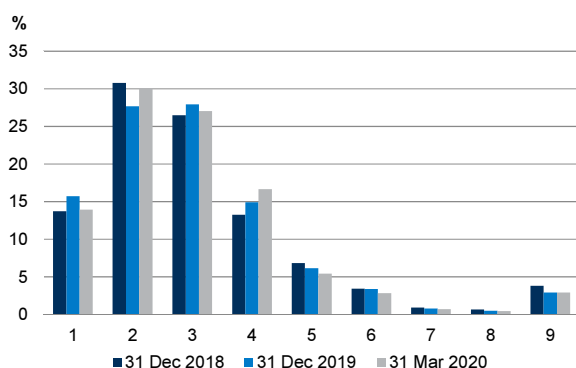
REA (DKKbn)	31 Mar 2020	31 Dec 2019
Credit risk	35.4	35.7
Market risk	4.3	6.2
Operational risk	7.2	7.2
Other exposures incl CVA	6.1	6.1
Total	53.0	55.2

The risk exposure amount represents DKK 53.0bn (year-end 2019: DKK 55.2bn). The change is mainly attributable to a decrease in market risk of DKK 1.9bn and a decline in credit risk of DKK 0.3bn.

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

The gross exposure by rating category at 31 March 2020 shows that the 4 best rating categories continue to account for a large share – equal to the level at 31 December 2019.

Gross exposure by rating category

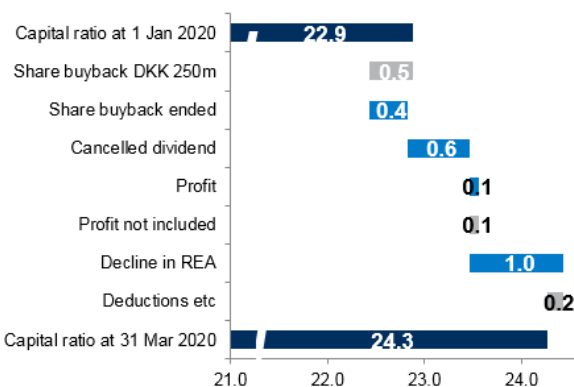


The gross exposure consists of loans and advances, undrawn credit commitments, interest receivable, guarantees and counterparty risk on derivatives. The graph comprises exposures treated according to IRB. Exposures relating to clients in default are not included in the breakdown of rating categories.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

The Group's capital ratio stands at 24.3%, of which the T1 capital ratio represents 20.6% compared with 22.9% and 19.4% respectively at year-end 2019. The CET1 ratio stands at 19.0% (31 December 2019: 17.8%).

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

Capital ratio in Q1



Profit for the period is not included in the calculation of capital ratios at 31 March 2020.

At 31 March 2020 the individual solvency need represented 11.5% (31 December 2019: 10.8%).

The parent's capital ratio stands at 23.4%, of which the T1 capital ratio represents 19.8% compared with 22.0% and 18.6% respectively at year-end 2019. The CET1 ratio stands at 18.3% (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-March 2020 the individual solvency need represented 11.5%. 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, equal to 6.5% of the risk exposure amount.

In addition to the solvency need the Group must meet a combined buffer requirement of 3.5% at 31 March 2020. When fully loaded the combined buffer requirement will represent 3.5%, bringing the fully loaded CET1 ratio requirement to 10.0%.

Capital and solvency and capital requirements (% of REA)	31 Mar 2020	Fully loaded*
Capital and solvency		
CET1 ratio	19.0	19.0
Capital ratio	24.3	24.3
Capital requirements (incl buffers)**		
Total capital requirement	15.0	15.0
CET1 capital requirement	10.0	10.0
-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	9.0	9.0
Total capital	9.3	9.3

* 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 31 March 2020.

Market risk

At 31 March 2020 the Group's interest rate risk represented DKK 65m. 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 196% at 31 March 2020 (31 December 2019: 174%).

LCR (DKKbn)	31 Mar 2020	31 Dec 2019	31 Mar 2019
Total liquidity buffer	36.0	37.2	36.3
Net cash outflows	18.4	21.4	19.5
LCR (%)	196	174	186

The Group has met the LCR requirement throughout the period and as can be seen its excess cover continues to be significant at 31 March 2020.

Funding ratio (DKKbn)	31 Mar 2020	31 Dec 2019	31 Mar 2019
Equity and subordinated capital	13.6	13.6	13.2
Senior loans with maturities > 1 year	7.4	7.4	7.4
Stable deposits	75.3	77.3	77.1
Total stable funding	96.3	98.3	97.7
Loans and advances (excl reverse and funded mortgage-like loans)	60.0	60.6	60.9
Funding ratio (%)	160	162	161

As shown above the Group's stable funding exceeded the Group's loans and advances by DKK 36.3bn at 31 March 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	31 Mar 2020	31 Dec 2019	31 Mar 2019
Sum of 20 largest exposures < 175%	141	143	147
Lending growth < 20% annually	(1)	(1)	(4)
Commercial property exposure < 25%	6	6	7
Funding ratio < 1	0.59	0.59	0.60
Excess liquidity coverage > 100%	220	207	216

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 Bank's 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	11.5	23.0
SIFI buffer	1.0	2.0
Capital conservation buffer	2.5	5.0
Countercyclical capital buffer	0.0	0.0
Total requirement (%)	15.0	30.0
Total requirement (DKKbn)	7,943	15,887

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 127.7% (31 December 2019: 122.8%) of MREL. This equals an excess cover of DKK 4.4bn (31 December 2019: DKK 3.7bn) based on the risk exposure amount at 31 March 2020. Consequently the MREL has been met.

Excess cover – MREL (DKKbn)	
Total capital	12,852
Non-preferred senior debt, EUR 1,000m	7,438
Total eligible liabilities	20,290
MREL	15,887
Excess cover	4,403
Excess cover as % of MREL	27.7

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 6.6% at 31 March 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 6.5% (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 effect

To counter an unintended impact on regulatory capital and hence banks' possibilities of supporting lending, a transitional arrangement has been adopted so that any adverse impact from the new impairment model will be phased in over a 5-year period which expires at year-end 2022. Sydbank has decided to apply the transitional rules.

Basel IV

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

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

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

Income Statement

DKKm	Note	Q1 2020	Q1 2019	Full year 2019
Interest income calculated using the effective interest method		469	485	1,907
Other interest income		70	63	335
Interest income	2	539	548	2,242
Interest expense	3	115	132	536
Net interest income		424	416	1,706
Dividends on shares		5	3	31
Fee and commission income	4	584	534	2,206
Fee and commission expense		80	84	341
Net interest and fee income		933	869	3,602
Market value adjustments	5	(48)	106	226
Other operating income		4	7	28
Staff costs and administrative expenses	6	709	707	2,729
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment		23	27	113
Other operating expenses	8	5	4	28
Impairment of loans and advances etc	9	84	(14)	(90)
Profit/(Loss) on holdings in associates and subsidiaries	10	2	2	5
Profit before tax		70	260	1,081
Tax	11	15	55	228
Profit for the period		55	205	853
Distribution of profit for the period				
Shareholders of Sydbank A/S		43	195	814
Holders of AT1 capital and minority shareholders		12	10	39
Total amount to be allocated		55	205	853
Proposed dividend to shareholders of Sydbank A/S (cancelled on 31 March 2020)		-	-	340
Interest paid to holders of AT1 capital		10	10	39
Minority shareholders		2	0	3
Proposal for allocation for other purposes (cancelled on 31 March 2020)		-	-	12
Transfer to equity		43	195	459
Total amount allocated		55	205	853
EPS Basic for the period (DKK)*		0.7	3.2	13.4
EPS Diluted for the period (DKK)*		0.7	3.2	13.4
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	55	205	853
Other comprehensive income			
<u>Items that may be reclassified to the income statement:</u>			
Translation of foreign entities	6	1	8
Hedge of net investment in foreign entities	(6)	(1)	(8)
<u>Items that may not be reclassified to the income statement:</u>			
Property revaluation	-	(2)	12
Value adjustment of certain strategic shares	(10)	5	11
Other comprehensive income after tax	(10)	3	23
Comprehensive income for the period	45	208	876

Balance Sheet

DKKm	Note	31 Mar 2020	31 Dec 2019	31 Mar 2019
Assets				
Cash and balances on demand at central banks		2,371	2,428	1,973
Amounts owed by credit institutions and central banks	12	13,665	8,863	13,342
Loans and advances at fair value		19,626	12,602	6,684
Loans and advances at amortised cost	13	60,020	60,554	60,850
Bonds at fair value		24,682	32,357	33,320
Shares etc		2,187	2,211	2,212
Holdings in associates etc		149	147	153
Assets related to pooled plans		17,106	19,042	17,368
Intangible assets		234	239	254
Owner-occupied property		1,060	1,077	1,077
Owner-occupied property, leasing		69	72	79
Total land and buildings		1,129	1,149	1,156
Other property, plant and equipment		60	61	67
Current tax assets		227	173	287
Deferred tax assets		33	33	39
Assets in temporary possession		-	-	1
Other assets	14	8,644	7,809	7,785
Prepayments		63	70	67
Total assets		150,196	147,738	145,558
Equity and liabilities				
Amounts owed to credit institutions and central banks	15	7,588	5,497	5,472
Deposits and other debt	16	82,208	84,295	86,337
Deposits in pooled plans		17,106	19,042	17,368
Bonds issued at amortised cost		7,438	7,437	7,425
Other liabilities	17	21,767	17,360	15,299
Deferred income		4	3	4
Total liabilities		136,111	133,634	131,905
Provisions	18	468	477	463
Subordinated capital	19	1,863	1,863	1,862
Equity:				
Share capital		618	618	677
Revaluation reserves		116	116	102
Other reserves:				
Reserves according to articles of association		425	425	425
Other reserves		4	4	4
Retained earnings		9,806	9,451	9,331
Proposed dividend etc		-	352	-
Shareholders of Sydbank A/S		10,969	10,966	10,539
Holders of AT1 capital		750	760	750
Minority shareholders		35	38	39
Total equity		11,754	11,764	11,328
Total equity and liabilities		150,196	147,738	145,558

Financial Highlights – Quarterly

	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Income statement (DKKm)					
Core income	960	926	924	905	900
Trading income	7	38	50	40	96
Total income	967	964	974	945	996
Costs, core earnings	718	703	651	710	719
Core earnings before impairment	249	261	323	235	277
Impairment of loans and advances etc	84	(48)	(15)	(20)	(14)
Core earnings	165	309	338	255	291
Investment portfolio earnings	(78)	(14)	(19)	(14)	(14)
Profit before non-recurring items	87	295	319	241	277
Non-recurring items, net	(17)	(24)	12	(22)	(17)
Profit before tax	70	271	331	219	260
Tax	15	76	62	35	55
Profit for the period	55	195	269	184	205
Balance sheet highlights (DKKbn)					
Loans and advances at amortised cost	60.0	60.6	60.9	60.9	60.9
Loans and advances at fair value	19.6	12.6	12.5	7.0	6.7
Deposits and other debt	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
Subordinated capital	1.9	1.9	1.9	1.9	1.9
AT1 capital	0.8	0.8	0.8	0.8	0.8
Shareholders' equity	11.0	11.0	10.8	10.7	10.5
Total assets	150.2	147.7	162.5	152.1	145.6
Financial ratios per share (DKK per share of DKK 10)					
Profit for the period	0.7	3.1	4.3	2.9	3.2
Share price at end of period	96.1	139.8	120.8	125.1	138.0
Book value	185.8	184.9	181.3	176.1	172.6
Share price/book value	0.52	0.76	0.67	0.71	0.80
Average number of shares outstanding (in millions)	59.2	59.6	60.1	61.0	61.0
Dividend per share	-	-	-	-	-
Other financial ratios and key figures					
CET1 ratio	19.0	17.8	16.2	16.6	16.9
T1 capital ratio	20.6	19.4	17.8	18.3	18.5
Capital ratio	24.3	22.9	21.2	21.6	22.0
Pre-tax profit as % p.a. of average equity	2.1	9.6	11.9	7.9	9.3
Post-tax profit as % p.a. of average equity	1.6	6.8	9.5	6.6	7.3
Costs (core earnings) as % of total income	74.3	72.9	66.8	75.1	72.2
Return on assets (%)	0.04	0.13	0.22	0.28	0.14
Interest rate risk	0.6	1.6	1.3	1.3	0.5
Foreign exchange position	2.3	1.6	2.5	1.6	1.4
Foreign exchange risk	0.0	0.0	0.0	0.0	0.0
Liquidity, LCR (%)	196	174	133	207	186
Loans and advances relative to deposits	0.6	0.6	0.6	0.6	0.6
Loans and advances relative to equity	5.5	5.5	5.6	5.7	5.8
Growth in loans and advances during the period	(0.9)	(0.5)	0.0	0.0	(0.2)
Total large exposures	141	143	153	149	147
Accumulated impairment ratio	2.7	2.7	3.1	3.4	3.6
Impairment ratio for the period	0.10	(0.06)	(0.02)	(0.03)	(0.02)
Number of full-time staff at end of period	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.

Capital

DKKm	Share capital	Revaluation reserves	Reserves acc to articles of association	Reserve for net revaluation acc to equity method	Retained earnings	Proposed dividend etc	Shareholders of Sydbank A/S	AT1 capital*	Minority shareholders	Total equity
Equity at 1 Jan 2020	618	116	425	4	9,451	352	10,966	760	38	11,764
Profit for the period					43		43	10	2	55
Other comprehensive income					(10)		(10)			(10)
Comprehensive income for the period	-	-	-	-	33	-	33	10	2	45
Transactions with owners										
Purchase of own shares					(250)		(250)			(250)
Sale of own shares					220		220			220
Interest paid on AT1 capital							-	(20)		(20)
Exchange rate adjustment					0		0	0		-
Cancelled dividend etc					352	(352)	-			-
Dividend paid							0		(5)	(5)
Total transactions with owners	-	-	-	-	322	(352)	(30)	(20)	(5)	(55)
Equity at 31 Mar 2020	618	116	425	4	9,806	-	10,969	750	35	11,754
Equity at 1 Jan 2019	677	104	425	4	9,122	590	10,922	760	-	11,682
Profit for the period					195		195	10		205
Other comprehensive income		(2)			5		3			3
Comprehensive income for the period	-	(2)	-	-	200	-	198	10	-	208
Transactions with owners										
Purchase of own shares					(158)		(158)			(158)
Sale of own shares					166		166			166
Interest paid on AT1 capital							-	(20)		(20)
Exchange rate adjustment					0		0	0		-
Dividend etc paid						(590)	(590)			(590)
Dividend, own shares					7		7			7
Sale of holdings in subsidiaries					(6)		(6)		39	33
Total transactions with owners	-	-	-	-	9	(590)	(581)	(20)	39	(562)
Equity at 31 Mar 2019	677	102	425	4	9,331	-	10,539	750	39	11,328

* 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	31 Mar 2020	31 Dec 2019	31 Mar 2019
Share capital (DKK)	617,540,000	617,540,000	676,709,540
Shares issued (number)	61,754,000	61,754,000	67,670,954
Shares outstanding at end of period (number)	59,031,681	59,302,539	61,057,632
Average number of shares outstanding (number)	59,242,821	60,422,803	61,010,812

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

Capital

DKKm	31 Mar 2020	31 Dec 2019	31 Mar 2019
Solvency			
CET1 ratio	19.0	17.8	16.9
T1 capital ratio	20.6	19.4	18.5
Capital ratio	24.3	22.9	22.0
Total capital			
Equity, shareholders of Sydbank A/S	10,969	10,966	10,539
Expected maximum dividend based on dividend policy	(55)	-	(205)
Minority shareholders	0	38	39
Prudent valuation	(78)	(72)	(65)
Actual or contingent obligations to purchase own shares	-	-	(250)
Proposed dividend	-	(352)	-
Intangible assets and capitalised deferred tax assets	(207)	(213)	(237)
Significant investments in financial sector	(702)	(704)	(659)
Transitional arrangement IFRS 9	118	144	143
CET1 capital	10,045	9,807	9,305
AT1 capital – equity	747	747	750
AT1 capital – debt	112	168	164
T1 capital	10,904	10,722	10,219
T2 capital	1,751	1,695	1,693
Difference between expected losses and impairment for accounting purposes	197	203	204
Total capital	12,852	12,620	12,116
Credit risk*	35,399	35,747	36,132
Market risk	4,310	6,177	5,718
Operational risk	7,171	7,171	7,654
Other exposures incl CVA	6,076	6,065	5,670
REA	52,956	55,160	55,174
Pillar I capital requirement	4,236	4,413	4,414
* Credit risk			
Corporate clients, IRB	26,129	26,353	26,895
Retail clients, IRB	6,794	7,425	7,053
Corporate clients, STD	275	262	309
Retail clients, STD	923	898	858
Credit institutions etc	1,278	809	1,017
Total	35,399	35,747	36,132

Cash Flow Statement

DKKm	Q1 2020	Full year 2019	Q1 2019
Operating activities			
Pre-tax profit for the period	70	1,081	260
Taxes paid	(65)	(160)	(131)
Adjustment for non-cash operating items	100	5	(15)
Cash flows from working capital	(575)	(5,950)	(7,839)
Cash flows from operating activities	(470)	(5,024)	(7,725)
Investing activities			
Purchase and sale of holdings in associates	(2)	5	-
Sale of holdings in subsidiaries	-	33	33
Purchase and sale of intangible assets and property, plant and equipment	2	(50)	(88)
Cash flows from investing activities	0	(12)	(55)
Financing activities			
Purchase and sale of own holdings	(30)	(201)	7
Dividends etc	-	(583)	(583)
Issue of bonds	-	3,715	3,715
Cash flows from financing activities	(30)	2,931	3,139
Cash flows for the period	(500)	(2,105)	(4,641)
Cash and cash equivalents at 1 Jan	6,753	8,858	8,858
Cash flows for the period	(500)	(2,105)	(4,641)
Cash and cash equivalents at end of period	6,253	6,753	4,217

Segment Reporting etc

DKKm	Banking	Asset Management	Sydbank Markets	Treasury	Other	Total
Operating segments						
Q1 2020						
Core income	862	70	28	-	-	960
Trading income	-	-	7	-	-	7
Total income	862	70	35	-	-	967
Costs, core earnings	630	30	42	-	16	718
Impairment of loans and advances etc	84	-	0	-	-	84
Core earnings	148	40	(7)	-	(16)	165
Investment portfolio earnings	(3)	-	-	(75)	-	(78)
Profit before non-recurring items	145	40	(7)	(75)	(16)	87
Non-recurring items, net	(17)	-	-	-	-	(17)
Profit before tax	128	40	(7)	(75)	(16)	70

Operating segments

Q1 2019

Core income	816	66	18	-	-	900
Trading income	-	-	96	-	-	96
Total income	816	66	114	-	-	996
Costs, core earnings	631	29	43	-	16	719
Impairment of loans and advances etc	(14)	-	0	-	-	(14)
Core earnings	199	37	71	-	(16)	291
Investment portfolio earnings	1	-	-	(15)	-	(14)
Profit before non-recurring items	200	37	71	(15)	(16)	277
Non-recurring items, net	(17)	-	-	-	-	(17)
Profit before tax	183	37	71	(15)	(16)	260

Segment Reporting etc

DKKm	Core income	Trading income	Costs, core earnings	Impairment of loans and advances etc	Core earnings	Investment portfolio earnings	Non-recurring items, net	Profit before tax
Correlation between performance measures and the income statement according to IFRS								
Q1 2020								
Net interest and fee income	877	74			918	(18)		933
Market value adjustments	77	(67)		0	43	(58)		(48)
Other operating income	4				4			4
Income	958	7	-	0	965	(76)	-	889
Staff costs and administrative expenses			(690)		(690)	(2)	(17)	(709)
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment			(23)		(23)			(23)
Other operating expenses			(5)		(5)			(5)
Impairment of loans and advances etc				(84)	(84)			(84)
Profit/(Loss) on holdings in associates and subsidiaries	2				2			2
Profit before tax	960	7	(718)	(84)	165	(78)	(17)	70
Q1 2019								
Net interest and fee income	814	40			854	15		869
Market value adjustments	77	56		0	133	(27)		106
Other operating income	7				7			7
Income	898	96	-	0	994	(12)	-	982
Staff costs and administrative expenses			(688)		(688)	(2)	(17)	(707)
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment			(27)		(27)			(27)
Other operating expenses			(4)		(4)			(4)
Impairment of loans and advances etc				14	14			14
Profit/(Loss) on holdings in associates and subsidiaries	2				2			2
Profit before tax	900	96	(719)	14	291	(14)	(17)	260

Notes

Note 1

Accounting policies

The interim report for the period from 1 January to 31 March 2020 is prepared in compliance with IAS 34 “Interim Financial Reporting” as adopted by the EU and in compliance with additional 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 managerial estimates as to how future events will affect the value of such assets and liabilities. 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 31 March 2020 the probability of the downturn scenario was fixed at 85% (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 exposed industries or customer segments are needed.

At 31 March 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 2020	Q1 2019	Full year 2019
Note 2			
Interest income calculated using the effective interest method			
Amounts owed by credit institutions and central banks	5	10	20
Loans and advances and other amounts owed	405	443	1,737
Other interest income	2	2	1
Interest on deposits*	57	30	149
Total	469	485	1,907
Other interest income			
Repo transactions with credit institutions and central banks and repo deposits*	9	4	29
Bonds	35	39	178
Total derivatives	26	20	128
comprising:			
Foreign exchange contracts	1	19	59
Interest rate contracts	25	1	69
Total	70	63	335
Total interest income	539	548	2,242
* Negative interest expense			
Fair value, designated at initial recognition	9	4	29
Fair value, held for trading	61	59	306
Assets recognised at amortised cost	469	485	1,907
Total	539	548	2,242
Note 3			
Interest expense			
Reverse transactions with credit institutions and central banks and reverse loans and advances*	35	15	90
Amounts owed to credit institutions and central banks	3	7	22
Deposits and other debt	27	44	185
Bonds*	3	1	13
Bonds issued	27	22	105
Interest on amounts owed by credit institutions and central banks*	12	22	77
Subordinated capital	7	8	30
Other interest expense	1	13	14
Total	115	132	536
* Negative interest income			
Fair value, designated at initial recognition	35	15	90
Fair value, held for trading	3	1	13
Liabilities recognised at amortised cost	77	116	433
Total	115	132	536

Notes

DKKm	Q1 2020	Q1 2019	Full year 2019
Note 4			
Fee and commission income			
Securities trading and custody accounts	209	183	711
Advisory fee, asset management	76	75	303
Payment services	73	80	312
Loan fees	53	38	201
Guarantee commission	34	31	135
Income concerning funded mortgage-like loans	34	37	149
Other fees and commission	105	90	395
Total fee and commission income	584	534	2,206
Total fee and commission expense	80	84	341
Net fee and commission income	504	450	1,865

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 3m (2019: DKK 6m) and has been deducted from commission received which is included under other fees and commission.

Notes

DKKm	Q1 2020	Q1 2019	Full year 2019
Note 5			
Market value adjustments			
Other loans and advances and amounts owed at fair value	(2)	0	0
Bonds	(63)	39	(82)
Shares etc	16	51	188
Foreign exchange	45	38	148
Total derivatives	(44)	(22)	(28)
Assets related to pooled plans	(2,304)	910	1,616
Deposits in pooled plans	2,304	(910)	(1,616)
Other assets/liabilities	0	0	0
Total	(48)	106	226

Note 6

Staff costs and administrative expenses

Salaries and remuneration:

Group Executive Management	4	4	26
Board of Directors	1	2	6
Shareholders' Committee	1	1	4
Total	6	7	36

Staff costs:

Wages and salaries	325	337	1,310
Pensions	31	33	130
Social security contributions	4	4	17
Payroll tax etc	44	44	172
Total	404	418	1,629

Other administrative expenses:

IT	186	175	751
Rent etc	25	25	115
Marketing and entertainment expenses	23	23	81
Other costs	65	59	117
Total	299	282	1,064
Total	709	707	2,729

Note 7

Staff

Average number of staff (full-time equivalent)	2,039	2,134	2,107
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Notes

DKKm	Q1 2020	Q1 2019	Full year 2019
Note 8			
Other operating expenses			
Contribution to the Resolution Fund	5	4	28
Other expenses	-	-	0
Total	5	4	28
Note 9			
Impairment of loans and advances recognised in the income statement			
Impairment and provisions	81	(7)	(110)
Write-offs	21	3	134
Recovered from debt previously written off	18	10	114
Impairment of loans and advances etc	84	(14)	(90)
Impairment and provisions at end of period (allowance account)			
Stage 1	148	121	131
Stage 2	569	852	745
Stage 3	1,314	1,715	1,268
Management estimates	225	100	100
Impairment and provisions at end of period	2,256	2,788	2,244
Impairment and provisions			
Impairment and provisions at 1 Jan	2,244	2,924	2,924
New impairment charges and provisions during the period, net	92	16	(59)
Impairment charges previously recorded, now finally written off	80	152	464
Acquisition of entity	-	-	(157)
Impairment and provisions at end of period	2,256	2,788	2,244
Impairment of loans and advances	2,084	2,599	2,062
Provisions for undrawn credit commitments	41	38	42
Provisions for guarantees	131	151	140
Impairment and provisions at end of period	2,256	2,788	2,244

Losses recognised for the period constitute DKK 101m. As regards losses recognised for the period a legal claim of DKK 78m 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	
	31 Mar	31 Dec	31 Mar	31 Dec	Q1	Q1	Q1	Q1
	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	3,994	4,280	521	666	(128)	38	11	23
<i>Pig farming</i>	803	890	64	110	(45)	20	0	0
<i>Cattle farming</i>	1,050	1,012	170	209	(34)	1	5	11
<i>Crop production</i>	995	1,198	83	113	(28)	3	2	6
<i>Other agriculture</i>	1,146	1,180	204	234	(21)	14	4	6
Manufacturing and extraction of raw materials	10,301	10,383	263	235	34	16	16	6
Energy supply etc	2,776	2,632	11	6	4	(1)	0	2
Building and construction	4,434	4,178	107	91	16	(4)	7	2
Trade	13,694	13,635	443	340	125	28	45	49
Transportation, hotels and restaurants	3,374	3,355	88	63	21	(4)	3	5
Information and communication	521	446	10	11	(1)	1	0	0
Finance and insurance	6,355	6,111	67	66	3	(6)	7	5
Real property	4,977	5,188	147	154	(11)	(23)	0	1
<i>Leasing of commercial property</i>	1,916	2,066	93	89	1	(8)	0	0
<i>Leasing of residential property</i>	1,104	1,184	34	43	(10)	(4)	0	0
<i>Housing associations and cooperative housing associations</i>	443	506	3	1	0	(1)	0	0
<i>Purchase, development and sale on own account</i>	1,462	1,374	15	19	(2)	(3)	0	0
<i>Other related to real property</i>	52	58	2	2	0	(7)	0	1
Other industries	3,445	3,814	137	98	33	(12)	0	1
Total corporate	53,871	54,022	1,794	1,730	96	33	89	94
Public authorities	219	287	1	1	-	-	-	-
Retail	24,244	28,367	461	513	(12)	(47)	12	25
Total	78,334	82,676	2,256	2,244	84	(14)	101	119

Notes

DKKm	Q1 2020	Q1 2019	Full year 2019
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Note 10

Profit/(Loss) on holdings in associates and subsidiaries

Profit/(Loss) on holdings in associates etc	2	2	5
Total	2	2	5

Note 11

Effective tax rate

Current tax rate of Sydbank	22.0	22.0	22.0
Permanent differences (tax-free capital gain etc)	(0.5)	(0.8)	(1.4)
Adjustment of prior year tax charges	0.5	-	0.5
Effective tax rate	22.0	21.2	21.1

DKKm	31 Mar 2020	31 Dec 2019	31 Mar 2019
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Note 12

Amounts owed by credit institutions and central banks

Amounts owed at notice by central banks	5,579	4,266	5,857
Amounts owed by credit institutions	8,086	4,597	7,485
Total	13,665	8,863	13,342
Of which reverse transactions	4,164	3,062	4,670

Notes

DKKm	Stage 1	Stage 2	Stage 3	31 Mar 2020 Total	31 Dec 2019 Total
Note 13					
Loans and advances, guarantees and allowance account by stage					
Loans and advances before impairment charges	55,552	4,179	2,373	62,104	62,616
Guarantees	15,461	621	148	16,230	20,060
Total loans and advances and guarantees	71,013	4,800	2,521	78,334	82,676
%	90.7	6.1	3.2	100.0	
Impairment of loans and advances	178	682	1,224	2,084	2,062
Provisions for undrawn credit commitments	22	14	5	41	42
Provisions for guarantees	9	37	85	131	140
Total allowance account	209	733	1,314	2,256	2,244
Allowance account at 1 Jan	131	845	1,268	2,244	2,924
New impairment charges and provisions during the period, net	78	(112)	126	92	(59)
Impairment charges previously recorded, now finally written off	-	-	(80)	(80)	(464)
Of which at end of period concerning subsidiary	-	-	-	-	(157)
Total allowance account at end of period	209	733	1,314	2,256	2,244
Impairment charges as % of loans and advances	0.3	16.3	51.6	3.4	3.3
Provisions as % of guarantees	0.1	6.0	57.4	0.8	0.7
Allowance account as % of loans and advances and guarantees	0.3	15.3	52.1	2.9	2.7
Loans and advances before impairment charges	55,552	4,179	2,373	62,104	62,616
Impairment charges for loans and advances	178	682	1,224	2,084	2,062
Loans and advances after impairment charges	55,374	3,497	1,149	60,020	60,554
%	92.3	5.8	1.9	100.0	

Notes

DKKm	Stage 1	Stage 2	Stage 3	31 Mar 2020 Total	31 Dec 2019 Total
Note 13 – continued					
Loans and advances before impairment charges					
Rating category					
1	5,067	2		5,069	5,595
2	14,363	1		14,364	13,752
3	19,512	13		19,525	20,010
4	8,945	10		8,955	8,326
5	4,107	551		4,658	5,105
6	1,900	787		2,687	3,005
7	181	473		654	747
8		428		428	469
9		1,888	1,388	3,276	3,202
Default			983	983	1,025
NR/STD	1,477	26	2	1,505	1,380
Total	55,552	4,179	2,373	62,104	62,616
Impairment charges for loans and advances					
Rating category					
1	1			1	-
2	33			33	17
3	30			30	16
4	50			50	24
5	26	20		46	27
6	20	36		56	37
7	6	83		89	28
8		81		81	25
9		456	684	1,140	1,074
Default			540	540	563
NR/STD	12	6		18	26
Collective impairment charges					225
Total	178	682	1,224	2,084	2,062
Loans and advances after impairment charges					
Rating category					
1	5,066	2		5,068	5,595
2	14,330	1		14,331	13,735
3	19,482	13		19,495	19,994
4	8,895	10		8,905	8,302
5	4,081	531		4,612	5,078
6	1,880	751		2,631	2,968
7	175	390		565	719
8		347		347	444
9		1,432	704	2,136	2,128
Default			443	443	462
NR/STD	1,465	20	2	1,487	1,354
Collective impairment charges					(225)
Total	55,374	3,497	1,149	60,020	60,554

Notes

DKKm	Stage 1	Stage 2	Stage 3	31 Mar 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	588	(570)	(18)	-	-
Transferred to stage 2	(794)	909	(115)	-	-
Transferred to stage 3	(76)	(404)	480	-	-
New exposures	5,166	84	39	5,289	15,472
Redeemed exposures	(4,112)	(235)	(53)	(4,400)	(12,947)
Changes in balances	(1,175)	(75)	(50)	(1,300)	(2,581)
Write-offs			(101)	(101)	(598)
Acquisition of entity					(421)
End of period	55,552	4,179	2,373	62,104	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	90	(83)	(7)	-	-
Transferred to stage 2	(3)	39	(36)	-	-
Transferred to stage 3		(56)	56	-	-
New exposures	24	20	30	74	207
Redeemed exposures	(15)	(32)	(9)	(56)	(266)
Changes in balances	(22)	4	102	84	34
Write-offs			(80)	(80)	(464)
Acquisition of entity					(157)
End of period	178	682	1,224	2,084	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	498	(487)	(11)	-	-
Transferred to stage 2	(791)	870	(79)	-	-
Transferred to stage 3	(76)	(348)	424	-	-
New exposures	5,142	64	9	5,215	15,265
Redeemed exposures	(4,097)	(203)	(44)	(4,344)	(12,681)
Changes in balances	(1,153)	(79)	(152)	(1,384)	(2,615)
Write-offs			(21)	(21)	(134)
Acquisition of entity					(264)
End of period	55,374	3,497	1,149	60,020	60,554

Notes

DKKm	31 Mar 2020	31 Dec 2019	31 Mar 2019
Note 14			
Other assets			
Positive market value of derivatives etc	5,419	4,834	4,723
Sundry debtors	959	983	707
Interest and commission receivable	105	148	149
Cash collateral provided, CSA agreements	2,159	1,844	2,193
Other assets	2	0	13
Total	8,644	7,809	7,785
Note 15			
Amounts owed to credit institutions and central banks			
Amounts owed to central banks	721	12	8
Amounts owed to credit institutions	6,867	5,485	5,464
Total	7,588	5,497	5,472
Of which repo transactions	3,805	2,227	1,667
Note 16			
Deposits and other debt			
On demand	75,898	76,025	74,835
At notice	180	194	228
Time deposits	2,500	3,815	6,563
Special categories of deposits	3,630	4,261	4,711
Total	82,208	84,295	86,337
Of which repo transactions	2,231	2,419	1,220
Of which secured lending	-	1,000	5,000
Note 17			
Other liabilities			
Negative market value of derivatives etc	5,688	4,885	4,969
Sundry creditors	4,506	5,009	3,861
Negative portfolio, reverse transactions	10,863	6,763	5,565
Lease liability	70	73	79
Interest and commission etc	46	86	53
Cash collateral received, CSA agreements	594	544	772
Total	21,767	17,360	15,299

Notes

DKKm	31 Mar 2020	31 Dec 2019	31 Mar 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	131	140	151
Other provisions*	43	43	40
Total	468	477	463

* 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	745	745	744
1.45 (floating)	2)	Bond loan	EUR 75	2 Nov 2029	558	558	558
1.11 (floating)	3)	Bond loan	EUR 75	Perpetual	560	560	560
Total T2 capital					1,863	1,863	1,862
Total subordinated capital					1,863	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	4,333	4,147	3,857
Mortgage finance guarantees	3,605	3,150	3,438
Funded mortgage-like loan guarantees	1,426	1,645	1,770
Registration and remortgaging guarantees	5,182	9,351	2,606
Other contingent liabilities	1,684	1,767	1,699
Total	16,230	20,060	13,370

Other obligating agreements

Irrevocable credit commitments	864	1,242	1,241
Other liabilities	12	12	103
Total	876	1,254	1,344

Notes

DKKm	31 Mar 2020	31 Dec 2019	31 Mar 2019
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Note 20 – continued

Totalkredit loans arranged for by Sydbank are comprised by an agreed right of set-off against future current commission which Totalkredit may invoke in the event of losses on the loans arranged. Sydbank does not expect that this set-off will have a significant effect on Sydbank's financial position.

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

As a result of the statutory participation in the deposit guarantee scheme, the industry paid an annual contribution of 2.5% of covered net deposits until the Banking Department's capital exceeded 1% of total covered net deposits, which was reached at year-end 2015. The Banking Department will cover the direct losses in connection with the winding-up of distressed financial institutions under Bank Package III and Bank Package IV which are attributable to covered net deposits. Any losses as a result of the final winding-up will be covered by the Guarantee Fund via the Winding-up and Restructuring Department as regards which Sydbank is currently liable for 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 31 March 2020 the Group had deposited as collateral securities at a market value of DKK 987m 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 2,158m and deposited as collateral securities at a market value of DKK 0m 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	6,046	4,634	2,877
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Assets purchased as part of reverse transactions

Bonds at fair value	23,958	15,768	11,339
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Notes

DKKm	Q1 2020	Q1 2019	Index 20/19	Full year 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 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

After the expiry of Q1 no matters of significant impact on the financial position of the Sydbank Group have occurred.

Note 24

Large shareholders

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

Note 25

Core income

Net interest etc	389	381	102	1,483
Mortgage credit*	154	141	109	620
Payment services	40	48	83	180
Remortgaging and loan fees	48	34	141	174
Commission and brokerage	107	78	137	319
Commission etc investment funds and pooled pension plans	73	84	87	326
Asset management	70	66	106	269
Custody account fees	20	18	111	70
Other operating income	59	50	118	214
Total	960	900	107	3,655

* Mortgage credit

Totalkredit cooperation	126	118	107	503
Totalkredit, set-off of loss	3	6	50	17
Totalkredit cooperation, net	123	112	110	486
DLR Kredit	30	29	103	131
Other mortgage credit income	1	0	-	3
Total	154	141	109	620

Notes

DKKm	Mandatory fair value (trading portfolio)	Fair value option	FVOCI	Total fair value	31 Mar 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				-	2,371
Amounts owed by credit institutions and central banks	4,164			4,164	9,501
Loans and advances at fair value	19,626			19,626	-
Loans and advances at amortised cost				-	60,020
Bonds at fair value	16,044	8,638		24,682	-
Shares etc	119	1,921	147	2,187	-
Assets related to pooled plans		17,106		17,106	-
Other assets	5,449	9		5,458	3,186
Total	45,401	27,675	147	73,223	75,078
Undrawn credit commitments				-	41,746
Maximum credit risk, collateral not considered	45,401	27,675	147	73,223	116,824
Financial liabilities					
Amounts owed to credit institutions and central banks	3,805			3,805	3,783
Deposits and other debt	2,231			2,231	79,977
Deposits in pooled plans			17,106	17,106	-
Bonds issued at amortised cost				-	7,438
Other liabilities	16,554			16,554	5,213
Subordinated capital				-	1,836
Total	22,590	17,106	-	39,696	98,247

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 31 March 2020 CVA constitutes DKK 18m compared to DKK 19m at year-end 2019.

Client margins recognised in connection with derivatives are amortised over the life of the transaction. At 31 March 2020 client margins presently not recognised as income total DKK 25m 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 190m (31 December 2019: DK 186m).

Notes

DKKm	Quoted prices	Observable inputs	Unobservable inputs	Total fair value	Carrying amount
Note 26 – continued					
31 Mar 2020					
Financial assets					
Amounts owed by credit institutions and central banks	-	4,164	-	4,164	4,164
Loans and advances at fair value	-	19,626	-	19,626	19,626
Bonds at fair value	-	24,682	-	24,682	24,682
Shares etc	251	37	1,899	2,187	2,187
Assets related to pooled plans	6,555	10,551	-	17,106	17,106
Other assets	627	4,891	-	5,458	5,458
Total	7,433	63,892	1,899	73,223	73,223
Financial liabilities					
Amounts owed to credit institutions and central banks	-	3,805	-	3,805	3,805
Deposits and other debt	-	2,231	-	2,231	2,231
Deposits in pooled plans	-	17,106	-	17,106	17,106
Other liabilities	547	16,007	-	16,554	16,554
Total	547	39,149	-	39,696	39,696
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

DKKm	31 Mar 2020	31 Dec 2019	31 Mar 2019
Assets measured on the basis of unobservable inputs			
Carrying amount at 1 Jan	1,863	1,800	1,800
Additions	-	0	0
Disposals	-	82	0
Market value adjustment	36	145	47
Carrying amount at end of period	1,899	1,863	1,847
Recognised in profit for the period			
Dividend	0	26	0
Market value adjustment	36	145	47
Total	36	171	47

Notes

DKKm	31 Mar 2020	31 Dec 2019	31 Mar 2019
Note 27			
Leverage ratio			
Leverage ratio exposures			
Total assets	150,196	147,738	145,558
Of which pooled assets	(17,107)	(19,042)	(17,368)
Correction derivatives etc	6,710	6,093	4,173
Guarantees etc	16,230	20,060	13,370
Undrawn credit commitments etc	10,556	10,685	10,596
Other adjustments	(1,092)	(745)	(633)
Total	165,493	164,789	155,696
T1 capital – current (transitional rules)	10,904	10,722	10,219
T1 capital – fully loaded	10,792	10,554	10,051
Leverage ratio (%) – current (transitional rules)	6.6	6.5	6.6
Leverage ratio (%) – fully loaded	6.5	6.4	6.5

31 Mar 2020					
DKKm	Activity	Share capital (m)	Equity (DKKm)	Profit/ (Loss) (DKKm)	Ownership share (%)
Note 28					
Group holdings and enterprises					
Sydbank A/S		DKK	618		
Consolidated subsidiaries					
Syd Administration A/S, Aabenraa	Inv. & adm.	DKK	300	2,034	(2)
Ejendomsselskabet af 1. juni 1986 A/S, Aabenraa	Real property	DKK	11	12	(5)
Syd Fund Management A/S, Aabenraa	Administration	DKK	100	114	14
Sydbank (Schweiz) AG, in Liquidation, St. Gallen, Switzerland*	-	CHF	40	242	(2)
Held for sale					
Green Team Group A/S, Sønder Omme	Wholesale	DKK	101	11	***
Holdings in associates					
Foreningen Bankdata, Fredericia**	IT	DKK	472	476	(55)
Komplementarselskabet Core Property Management A/S, Copenhagen**	Real property	DKK	1	16	2
Core Property Management P/S, Copenhagen**	Real property	DKK	5	63	32

* With no activity at 31 March 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 2020 of Sydbank A/S.

The consolidated interim financial statements are prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted 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 31 March 2020 and of the results of the Group’s and the parent company’s operations and consolidated cash flows for the period 1 January – 31 March 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, 29 April 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 Hofmann

Søren Holm

Kim Holmer

Janne Moltke-Leth

Jarl Oxlund

Gitte Poulsen

Susanne Schou

Jon Stefansson

Jørn Krogh Sørensen

Supplementary Information

Financial calendar

In 2020 the Group's preliminary announcement of financial statements will be released as follows:

- Annual General Meeting 2020
Postponed until further notice.
- Interim Report – First Half 2020
26 August 2020
- Interim Report – Q1-Q3 2020
28 October 2020

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.