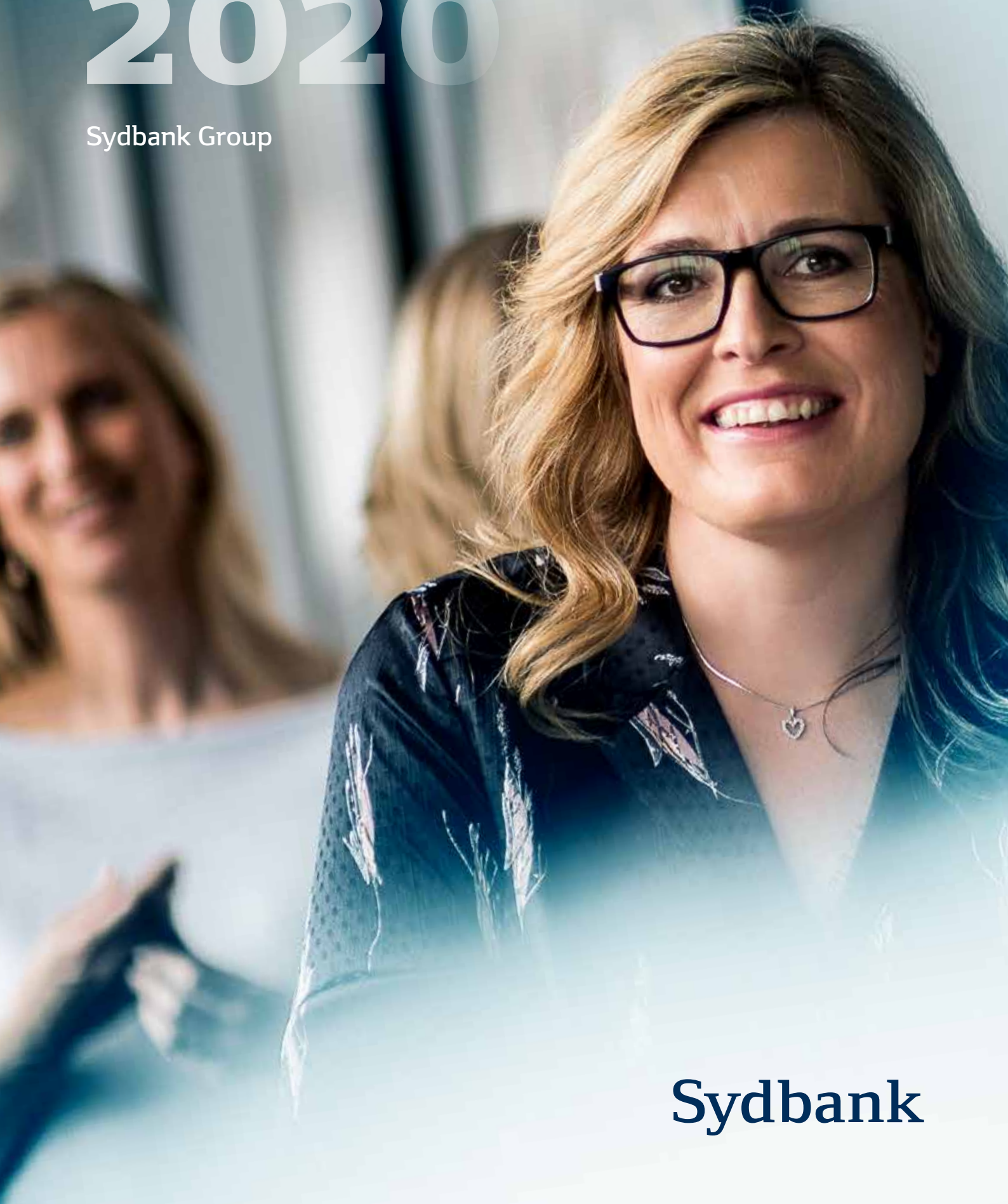


Annual Report 2020

Sydbank Group



Sydbank



Preface

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

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

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

CEO Karen Frøsig comments on the year's results:

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

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

Karen Frøsig comments on banking in Covid-19 times:

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

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

Board chairman Lars Mikkellaard-Jensen comments:

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

Outlook for 2021

- Growth is projected in the Danish economy in 2021 despite expectations of negative growth influenced by Covid-19 in the first 6 months.
- Total income is expected to rise sharply as a result of the acquisition of Alm. Brand Bank and measures implemented as regards deposits and fees.
- Costs (core earnings) are projected to increase as a result of the acquisition of Alm. Brand Bank.
- Impairment charges for 2021 are forecast to be at a low level. In addition most of the amounts owed to the Group by the mink industry are expected to be repaid in full, which could result in a reversal of impairment charges of up to DKK 150m.
- Non-recurring costs are expected to be in the range of DKK 150-175m. The item consists of costs related to "A stronger bank", costs to establish a bank/insurance partnership as well as costs related to the integration of Alm. Brand Bank.
- Profit after tax is expected to be in the range of DKK 850-1,150m.
- In light of the Covid-19 crisis the outlook for 2021 is subject to greater uncertainty than usual.

2020 highlights

- A 2% increase in total income
- A decline in costs (core earnings) of DKK 9m
- Impairment charges of DKK 47m
- Provision for potential Covid-19 losses of DKK 325m, including DKK 100m in Q4 2020
- Negative investment portfolio earnings of DKK 31m
- Decrease in profit for the year of DKK 54m to DKK 799m
- Bank loans and advances of DKK 60.2bn
- Deposits of DKK 95.9bn
- A capital ratio of 24.0%, including a CET1 ratio of 18.8%
- A proposed dividend of DKK 4.00 per share.

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The 2020 Annual Report is available in Danish at sydbank.dk and in English at sydbank.com.
In case of doubt the Danish version applies.

Profit for the year

799

DKK m

ROE **6.6%**

Core income **DKK 3,670m**

Costs (core earnings) **DKK 2,774m**

Impairment of loans and advances **DKK 47m**

Dividend **30% of profit for the year** (DKK 4.00 per share)

Bank loans and advances **DKK 60.2bn**

Total credit intermediation **DKK 165.6bn**

Customer satisfaction **Number 2** (retail and corporate)
(among the 6 largest banks)

Group Financial Highlights

	2020	2019	Index 20/19	2018	2017*	2016*
Income statement (DKKm)						
Core income	3,670	3,655	100	3,951	4,167	4,198
Trading income	278	224	124	138	233	237
Total income	3,948	3,879	102	4,089	4,400	4,435
Costs, core earnings	2,774	2,783	100	2,722	2,637	2,590
Core earnings before impairment	1,174	1,096	107	1,367	1,763	1,845
Impairment of loans and advances etc	47	(97)	-	(122)	(51)	87
Core earnings	1,127	1,193	94	1,489	1,814	1,758
Investment portfolio earnings	(31)	(61)	-	(127)	182	104
Profit before non-recurring items	1,096	1,132	97	1,362	1,996	1,862
Non-recurring items, net	(75)	(51)	-	58	(40)	7
Profit before tax	1,021	1,081	94	1,420	1,956	1,869
Tax	222	228	97	259	425	397
Profit for the year	799	853	94	1,161	1,531	1,472

Balance sheet highlights (DKKbn)

Loans and advances at amortised cost	60.2	60.6	99	61.0	64.3	77.2
Loans and advances at fair value	18.0	12.6	143	6.5	5.2	6.1
Deposits and other debt	95.9	84.3	114	86.3	82.7	81.1
Bonds issued at amortised cost	9.6	7.4	130	3.7	3.7	3.7
Subordinated capital	1.9	1.9	100	1.9	1.9	2.1
AT1 capital	0.8	0.8	100	0.8	-	-
Shareholders' equity	11.7	11.0	106	10.9	11.9	11.8
Total assets	165.8	147.7	112	140.5	138.5	146.7

Financial ratios per share (DKK per share of DKK 10)

EPS	12.8	13.4		17.6	22.4	20.9
Share price at year-end	134.5	139.8		155.1	249.9	219.2
Book value	197.6	184.9		179.0	178.3	169.2
Share price/book value	0.68	0.76		0.87	1.40	1.30
Average number of shares outstanding (in millions)	59.0	60.4		64.8	68.4	70.4
Proposed dividend	4.00	-		9.36	11.31	10.46

Other financial ratios and key figures

CET1 ratio	18.8	17.8		17.3	17.3	16.1
T1 capital ratio	20.4	19.4		19.0	17.7	17.4
Capital ratio	24.0	22.9		22.4	20.8	19.2
Pre-tax profit as % of average equity	8.6	9.7		12.5	16.8	16.6
Post-tax profit as % of average equity	6.6	7.5		10.2	13.1	13.1
Costs (core earnings) as % of total income	70.3	71.7		66.6	59.9	58.4
Return on assets (%)	0.51	0.59		0.83	1.07	1.02
Interest rate risk	1.6	1.6		1.3	0.8	1.6
Foreign exchange position	1.2	1.6		1.3	1.2	2.2
Foreign exchange risk	0.0	0.0		0.0	0.0	0.0
Liquidity, LCR (%)	210	174		184	176	166
Loans and advances relative to deposits	0.5	0.6		0.6	0.6	0.8
Loans and advances relative to equity	5.1	5.5		5.6	5.4	6.6
Growth in loans and advances for the year	(0.5)	(0.7)		(5.2)	(16.7)	3.9
Total large exposures	149	143		147	131	-
Accumulated impairment ratio	2.7	2.7		3.8	3.6	3.6
Impairment ratio for the year	0.1	(0.1)		(0.2)	(0.1)	0.1
Number of full-time staff at year-end	2,286	2,030	113	2,098	2,064	2,037

* Comparative figures have been restated in accordance with previous accounting principles (IAS 39).

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 on page 118. The correlation between the Group's performance measures and the income statement according to IFRS appears from note 6 and accounting policies (note 1).

Summary

A strong capital position and good credit quality enable Sydbank to distribute dividend equivalent to 30% of profit for the year. At the same time the acquisition of Alm. Brank Bank creates long-term value for shareholders as profit before tax is projected to increase by around DKK 200m as from 2022

Sydbank's financial statements for 2020 show a profit before tax of DKK 1,021m compared to DKK 1,081m in 2019. The decrease of DKK 60m is mainly attributable to a change in impairment charges for loans and advances etc of DKK 144m. Total income rose by DKK 69m in 2020. Profit before tax equals a return of 8.6% p.a. on average equity.

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

Strategy – A stronger bank

At a time when the banking environment in Denmark continues to be affected by macroeconomic factors such as negative interest rates, low interest margins, subdued demand for loans and Covid-19, it is necessary to show resilience and strength to make the necessary adjustments to operations.

The strategy is a refinement strategy where Sydbank's competitive strength will be boosted through an increase in quality in what we do. We will build a stronger bank with the purpose of enhancing Sydbank's market position. We will build on the foundation created during previous strategy periods and we will allocate and give priority to resources to improve our core business – Banking!

Sydbank must deliver greater value to shareholders and customers. It must be easier to be an employee and Sydbank must be more distinct.

During 2020 we implemented a number of initiatives to help create a stronger bank, including the following:

- We have strengthened retail banking activities by acquiring Alm. Brand Bank.
- We have increased future earnings by changing the terms and conditions of deposit products.
- We have strengthened our proximity to customers by extending our decentralised organisation. The number of Danish regions has been increased from 9 to 12 and at the same time the regions have been boosted by relocating young customers and adding to the number of experts in each region.
- We will increase our market area by opening new branches in 2021, initially in Frederikshavn and Nyborg.
- We have strengthened our position – **Denmark's Corporate Bank**. This is thanks to a high level of customer satisfaction

and a rising market share in the segment of companies with between 50 and 500 employees – the backbone of Denmark's corporate sector.

- We have built a strong foundation for process automation in Operations that will benefit customers as well as employees. We have adjusted the organisational structure of Operations so it functions according to agile principles and methods. Automation results in faster case processing, fewer errors and time savings.

The plan for the 3-year period 2019-2021 "A stronger bank" aims to ensure that the Bank continues to consolidate its position.

We are building a stronger bank focusing on 3 themes:

- Customer first
- More Sydbank
- Digitization.

Customer first ensures that our stronger customer focus is maintained. 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 using the new technology that works to improve the customer's digital relationship with Sydbank and in our employees having even simpler and more efficient processes enabling them to spend their time on the customer. Digitization 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. 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.

Summary

The strategic focus covers these areas:

- Customer satisfaction
- Employee engagement
- Return on equity.

Customer satisfaction

Sydbank's objective is to gain a top 3 ranking among the 6 largest Danish banks measured in terms of customer satisfaction in the corporate segment and the retail segment. In 2020 Sydbank achieved this objective in both segments according to the surveys conducted by Aalund and EPSI respectively.

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.

Sydbank's objective is to be best in class among financial institutions in Denmark in surveys conducted by Ennova. Sydbank carries out one comprehensive survey every other year and more condensed surveys during the period leading up to the next major survey. Sydbank was best in class in all parameters in 2020.

Return on equity

Sydbank's objective is to achieve a top 3 ranking among the 6 largest Danish banks measured in terms of return on equity. In 2020 Sydbank received a number 3 ranking among the 6 largest banks.

Sydbank's rules to live by

Sydbank's 10 rules to live by bind its core story and strategy together. These rules clarify what we stand for and show the way forward for the Bank in the short and long term. The 10 rules are described in more detail on page 32.

Denmark's Corporate Bank

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

As one of the best business partners, we will help to increase competitive strength and create value for our customers. Common for all of them is their need for professional advice, good old-fashioned attentiveness, new technology and using what works – "Banking".

Sydbank is a bank for most people but not the same bank for everyone.

Results for 2020

The negative interest rate environment combined with subdued demand for loans and fierce competition for bank loans and advances continue to squeeze the Group's net interest income. Net interest income has fallen by DKK 7m to DKK 1,476m. Income has been affected by a lower demand for loans by corporate clients which has been affected for instance by the government's relief packages, which include deferral of VAT and tax payments. As a result of uncertainty in connection with Covid-19 corporate clients have wished to increase their cash resources, which the Group has accommodated.

Other core income has risen by DKK 22m compared to 2019.

Total core income has gone up by DKK 15m to DKK 3,670m compared to 2019.

Trading income has risen by DKK 54m to DKK 278m compared to 2019.

Total income has increased by DKK 69m to DKK 3,948m compared to 2019.

Costs (core earnings) have declined by DKK 9m to DKK 2,774m compared to 2019.

Impairment charges for loans and advances constitute an expense of DKK 47m. In 2019 impairment charges represented an income of DKK 97m.

Core earnings for 2020 represent DKK 1,127m – a decline of DKK 66m compared to 2019.

Together the Group's position-taking and liquidity handling generated negative earnings of DKK 31m in 2020 compared to negative earnings of DKK 61m in 2019.

Profit before tax constitutes DKK 1,021m compared to DKK 1,081m in 2019. Tax has been calculated at DKK 222m. Profit for the year amounts to DKK 799m compared to DKK 853m in 2019.

Bank loans and advances decreased by DKK 0.4bn in 2020.

Total credit intermediation represented DKK 165.6bn at year-end 2020 and rose by DKK 20.5bn in 2020.

Return on shareholders' equity before and after tax constitutes 8.6% and 6.6% respectively against 9.7% and 7.5% in 2019.

Earnings per share stands at DKK 12.8 compared to DKK 13.4 in 2019.

During the year shareholders' equity went up by DKK 746m to DKK 11,712m. The change comprises additions from profit for the year of DKK 754m, net purchases of own shares of DKK 3m as well as other equity adjustments of minus DKK 5m.

Less the proposed dividend, the CET1 ratio and the capital ratio stood at 18.8% and 24.0% respectively at year-end 2020 compared to 17.8% and 22.9% respectively at year-end 2019.

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

SIFI

Sydbank has been designated as a SIFI (systemically important financial institution) in Denmark and there is an additional buffer requirement of 1.0% as regards CET1 capital. The intention is to bring Danish SIFI capital requirements on a par with the requirements in other comparable European countries.

Capital targets

The Group's capital targets are a CET1 ratio of around 14.5% and a capital ratio of around 18.5%.

Proposed dividend for 2020

The Board of Directors proposes – in compliance with the Bank's dividend policy – that a dividend of DKK 4.00 per share, equal to 30% of the Group's profit after tax, be distributed and that DKK 10m be donated to the sponsorship fund Sydbank Fonden.

The Group will continue to be highly capitalised after the proposed dividend distribution.

Outlook for 2021

Growth is projected in the Danish economy in 2021 despite expectations of negative growth influenced by Covid-19 in the first 6 months.

Total income is expected to rise sharply as a result of the acquisition of Alm. Brand Bank and measures implemented as regards deposits and fees.

Costs (core earnings) are projected to increase as a result of the acquisition of Alm. Brand Bank.

Impairment charges for 2021 are forecast to be at a low level. In addition most of the amounts owed to the Group by the mink industry are expected to be repaid in full, which could result in a reversal of impairment charges of up to DKK 150m.

Non-recurring costs are expected to be in the range of DKK 150-175m. The item consists of costs related to "A stronger bank", costs to establish a bank/insurance partnership as well as costs related to the integration of Alm. Brand Bank.

Profit after tax is expected to be in the range of DKK 850-1,150m.

In light of the Covid-19 crisis the outlook for 2021 is subject to greater uncertainty than usual.

Long-term performance impact of acquisition of Alm. Brand Bank

When the acquisition of Alm. Brand Bank was announced, Sydbank's annual results were expected to improve by around DKK 100m as a result of the acquisition as from 2022.

In 2021 profit before non-recurring items in the region of DKK 150m is projected. Non-recurring items in relation to the acquisition and the establishment of the partnership with Alm. Brand Bank are expected to represent around DKK 130m. Consequently profit before tax of the activity acquired is forecast to be in the region of DKK 20m in 2021.

In 2022 profit before tax of the activity acquired is projected to represent around DKK 200m.

Performance in 2020

The Sydbank Group has recorded a profit before tax of DKK 1,021m (2019: DKK 1,081m). Profit before tax equals a return of 8.6% p.a. on average equity.

Profit for the year represents DKK 799m against DKK 853m in 2019, equal to a return on average equity of 6.6% after tax. At the beginning of 2020 profit after tax was projected to be in the range of DKK 700-1,000m. When the interim report for Q1-Q3 was published profit after tax was expected to be in the range of DKK 700-800m.

The financial statements are characterised by the following:

2020

- A rise in core income of DKK 15m
- An increase in trading income of DKK 54m
- A decline in costs (core earnings) of DKK 9m
- Impairment charges for loans and advances of DKK 47m, including impairment charges of DKK 325m for effects of Covid-19
- A decrease in core earnings of DKK 66m to DKK 1,127m
- Negative investment portfolio earnings of DKK 31m
- Bank loans and advances of DKK 60.2bn (2019: DKK 60.6bn)
- Deposits of DKK 95.9bn (2019: DKK 84.3bn)
- A capital ratio of 24.0%, including a CET1 ratio of 18.8%
- An individual solvency need of 10.8%
- A proposed dividend of DKK 4.00 per share
- The acquisition of Alm. Brand Bank at 30 November 2020.

Q4

- Profit for the period amounts to DKK 226m
- Impairment charges for loans and advances represent an expense of DKK 1m
- Income from Alm. Brand Bank was recognised from 30 November 2020. This affects profit before tax by DKK 8m and bank loans and advances are increased by DKK 4.2bn.

Income statement

Group (DKKm)	2020	2019
Core income	3,670	3,655
Trading income	278	224
Total income	3,948	3,879
Costs, core earnings	2,774	2,783
Core earnings before impairment	1,174	1,096
Impairment of loans and advances etc	47	(97)
Core earnings	1,127	1,193
Investment portfolio earnings	(31)	(61)
Profit before non-recurring items	1,096	1,132
Non-recurring items, net	(75)	(51)
Profit before tax	1,021	1,081
Tax	222	228
Profit for the year	799	853

Acquisition of Alm. Brand Bank

Sydbank acquired 100% of the share capital in Alm. Brand Bank and its subsidiaries in 2020. The acquisition was finalised on 30 November 2020.

The Alm. Brand Bank Group was consolidated with the Sydbank Group during the period 1 December–31 December 2020.

Income statement

Alm. Brand Bank Group (DKKm)	December 2020
Core income	39
Trading income	1
Total income	40
Costs, core earnings	33
Core earnings before impairment	7
Impairment of loans and advances etc	0
Core earnings	7
Investment portfolio earnings	1
Profit before non-recurring items	8
Non-recurring items, net	-
Profit before tax	8
Tax	2
Profit for the year	6

To ensure a simple and cost effective group structure the banking activities of Alm. Brand Bank were transferred to Sydbank A/S as of 30 December 2020. The related subsidiaries Alm. Brand Leasing A/S and Ejendomsselskabet AB ApS were transferred to Sydbank A/S on the same date.

The purchase price of the Alm. Brand Bank Group represented DKK 1,897m, which has been paid in cash, covering the value of equity as of the acquisition date less intellectual property rights plus DKK 25m, equal to 96% of book equity.

The transaction comprises around 55,000 NemKonto (Easy Account) customers, DKK 4.2bn in bank loans and advances and DKK 16.9bn in arranged mortgage loans from Totalkredit.

The agreement also includes the establishment of a partnership with Alm. Brand Forsikring to create attractive value propositions for bank customers and insurance customers. The partnership is expected to generate an increase in business volume and income for both parties.

For further information reference is made to note 47 on page 115.

Core income

Total core income has risen by DKK 15m to DKK 3,670m.

The negative interest rate environment combined with subdued demand for loans and fierce competition for bank loans and advances continue to squeeze the Group's net interest income. Net interest income has fallen by DKK 7m to DKK 1,476m. Income has been affected by a lower demand for loans by corporate clients which has been affected for instance by the government's relief packages, which include deferral of VAT and tax payments. As a result of uncertainty in connection with Covid-19 corporate clients have wished to increase their cash resources, which the Group has accommodated.

Net income from the cooperation with Totalkredit represents DKK 480m (2019: DKK 486m) after a set-off of loss of DKK 13m (2019: DKK 17m). The cooperation with DLR Kredit has generated an income of DKK 126m (2019: DKK 131m). Compared to 2019 total mortgage credit income has fallen by DKK 13m to DKK 607m – a decline of 2%. Income remains high due to continued high remortgaging activity in 2020.

Income from payment services has dropped by DKK 28m to DKK 152m – as a result of lower activity due to Covid-19.

Commission and brokerage income has risen by DKK 53m to DKK 372m – an increase of 17% compared to 2019.

Income from commission etc concerning investment funds and pooled pension plans has fallen by DKK 48m to DKK 278m – a decline of 15% compared to 2019.

The remaining income components have risen by DKK 58m compared to 2019.

Core income

Group (DKKm)	2020	2019
Net interest etc	1,476	1,483
Mortgage credit	607	620
Payment services	152	180
Remortgaging and loan fees	172	174
Commission and brokerage	372	319
Commission etc investment funds and pooled pension plans	278	326
Asset management	288	269
Custody account fees	88	70
Other operating income	237	214
Total	3,670	3,655

Trading income

Trading income has risen by DKK 54m to DKK 278m compared to 2019.

In Fixed Income high trading activity was recorded in mortgage bonds in 2020.

Costs and depreciation

The Group's costs and depreciation total DKK 2,856m – a decline of DKK 15m compared to 2019.

Costs and depreciation

Group (DKKm)	2020	2019
Staff costs	1,604	1,666
Other administrative expenses	1,120	1,064
Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	109	113
Other operating expenses	23	28
Total	2,856	2,871
Distributed as follows:		
Costs, core earnings	2,774	2,783
Costs, investment portfolio earnings	7	7
Non-recurring costs	75	81

Costs (core earnings) represent DKK 2,774m against DKK 2,783m in 2019 – a decrease of DKK 9m.

At year-end 2020 the Group's staff numbered 2,286 (full-time equivalent) compared to 2,030 in 2019. The increase is attributable to the acquisition of Alm. Brand Bank, which employed a staff of 317 at year-end 2020.

The number of branches has gone down by 4 compared to 2019 and at year-end 2020 there were 56 branches in Denmark and 3 in Germany.

Core earnings before impairment of loans and advances

Core earnings before impairment charges for loans and advances represent DKK 1,174m – an increase of DKK 78m compared to 2019.

Impairment of loans and advances etc

Impairment charges for loans and advances represent an expense of DKK 47m as a result of Covid-19. In 2019 impairment charges constituted an income of DKK 97m.

The Group's impairment charges for loans and advances include a management estimate of DKK 325m to cover the consequences of the Covid-19 outbreak on the Group's lending portfolio. The estimate may change in the coming quarters.

At 31 December 2020 the Group's unsecured loans and advances in the weakest rating categories 7-9 and default (excluding

Performance in 2020

agriculture but including mink farming) amounted to DKK 580m. 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 22%.

Furthermore impairment charges include a management estimate of DKK 200m to cover unforeseen events as regards the remaining part of the lending portfolio in rating classes 1-6, the credit risk of which is satisfactory or normal.

Consequently management estimates as a result of Covid-19 total DKK 325m (end-Q3 2020: DKK 225m).

The Group's total lending to the entertainment industry, retailers and small businesses constitutes DKK 2.7bn, equal to 4.4% of total loans and advances of DKK 60.2bn.

Reference is made to the separate publication Credit Risk 2020, which is available at sydbank.com, for further elaboration.

Impairment charges for the year by industry

Group (DKK m)	2020	2019
Agriculture etc.	(219)	78
Trade	131	102
Real property	(35)	(66)
Other industries	248	(33)
Total corporate	125	81
Retail	(78)	(178)
Total	47	(97)

At year-end 2020 the impairment ratio for the year represented 0.08% relative to bank loans and advances and 0.06% relative to bank loans and advances and guarantees. At 31 December

Loans and advances and impairment charges

2020 (DKK m)	Stage 1	Stage 2	Stage 3	Credit impaired at initial recognition	Total
Loans and advances before impairment charges	56,621	3,440	1,916	301	62,278
Impairment charges	466	639	944	-	2,049
Total loans and advances	56,155	2,801	972	301	60,229
2020 (%)					
Impairment charges as % of bank loans and advances	0.8	18.6	49.3	-	3.3
Share of bank loans and advances before impairment charges	90.9	5.5	3.1	0.5	100.0
Share of bank loans and advances after impairment charges	93.2	4.7	1.6	0.5	100.0

2020 accumulated impairment and provisions amounted to DKK 2,229m (2019: DKK 2,244m).

In 2020 reported losses amounted to DKK 428m (2019: DKK 598m). Of the reported losses DKK 239m has previously been written down.

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

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

Stage 1 – facilities with no significant increase in credit risk. The asset is written down by an amount equal to the expected credit loss as a result of the probability of default over the coming 12 months.

Stage 2 – facilities with a significant increase in credit risk. The asset is transferred to stage 2 and is written down by an amount equal to the expected credit loss over the life of the asset.

Stage 3 – facilities where the financial asset is in default or is otherwise credit impaired.

Credit impaired at initial recognition – facilities which were credit impaired at the time of acquisition of Alm. Brand Bank. They are recognised on acquisition at the fair value of the debt acquired.

The Group's loans and advances and impairment charges at 31 December 2020 allocated to these stages are shown below. Credit impaired bank loans and advances – stage 3 – represent 3.1% (2019: 3.5%) of total bank loans and advances before impairment charges and 1.6% (2019: 1.7%) of total bank loans and advances after impairment charges.

Credit impaired bank loans and advances from the acquisition of Alm. Brand Bank – credit impaired at initial recognition – amount to 0.5% of total bank loans and advances before impairment charges and 0.5% 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 December 2020 stand at 49.3% (2019: 53.3%).

Core earnings

Core earnings for 2020 represent DKK 1,127m – a decline of DKK 66m compared to 2019.

Investment portfolio earnings

Together the Group's position-taking and liquidity handling generated negative investment portfolio earnings of DKK 31m in 2020 compared to negative earnings of DKK 61m in 2019.

Investment portfolio earnings

Group (DKKm)	2020	2019
Position-taking	25	(23)
Liquidity generation and liquidity reserves	(50)	(32)
Strategic positions	1	1
Costs	(7)	(7)
Total	(31)	(61)

The negative result for 2020 is primarily due to the negative risk-free rates.

The interest rate risk at year-end 2020 is composed so that the Group would gain if interest rates went down.

Non-recurring items, net

Non-recurring items etc total a net expense of DKK 75m compared to a net expense of DKK 51m in 2019.

In 2020 the item included costs of DKK 75m related to "A stronger bank".

In 2019 the item included costs of DKK 73m 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. Moreover a subsequent charge of DKK 8m concerning 2015-2018 of contributions to the resolution fund was charged to the income statement. The subsequent charge was due to a correction of an error at Finansiell Stabilitet.

Profit for the year

Profit before tax amounts to DKK 1,021m (2019: DKK 1,081m). Tax represents DKK 222m (2019: DKK 228m), equivalent to an effective tax rate of 21.7%. Profit for the year amounts to DKK 799m (2019: DKK 853m).

Other comprehensive income

In accordance with IFRS 9 certain strategic shares are classified with value adjustment through other comprehensive income in the consolidated financial statements. In 2020 value adjustment represented DKK 9m (2019: DKK 11m).

Return

Return on shareholders' equity before and after tax constitutes 8.6% and 6.6% respectively against 9.7% and 7.5% in 2019. Earnings per share stands at DKK 12.8 against DKK 13.4 in 2019.

Sydbank – the parent

The Bank's total income before costs and impairment charges for loans and advances represents DKK 3,807m (2019: DKK 3,784m). The income includes the consolidated profit on holdings in associates and subsidiaries of DKK 11m (2019: DKK 0m).

Total costs, including non-recurring costs of DKK 75m (2019: DKK 81m), constitute DKK 2,758m (2019: DKK 2,795m).

Impairment charges for bank loans and advances of DKK 47m (2019: reversal of DKK 97m) have been recorded.

Pre-tax profit amounts to DKK 1,001m (2019: DKK 1,079m).

Post-tax profit amounts to DKK 802m (2019: DKK 861m).

Subsidiaries

Profit after tax of the subsidiaries represents DKK 16m (2019: DKK 4m).

Group – Q4 2020

The Group's profit before tax for the quarter stands at DKK 286m. Tax represents DKK 60m and profit for the period amounts to DKK 226m.

Compared to Q3 2020 profit before tax shows:

- a core income of DKK 959m (Q3: DKK 882m)
- a trading income of DKK 74m (Q3: DKK 88m)
- costs (core earnings) of DKK 728m (Q3: DKK 628m)
- impairment charges for loans and advances of DKK 1m (Q3: DKK 4m)
- investment portfolio earnings of DKK 2m (Q3: DKK 0m).

Performance in 2020

Quarterly results

Group (DKK m)	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Core income	959	882	869	960	926
Trading income	74	88	109	7	38
Total income	1,033	970	978	967	964
Costs, core earnings	728	628	700	718	703
Core earnings before impairment	305	342	278	249	261
Impairment of loans and advances etc	1	4	(42)	84	(48)
Core earnings	304	338	320	165	309
Investment portfolio earnings	2	0	45	(78)	(14)
Profit before non-recurring items	306	338	365	87	295
Non-recurring items, net	(20)	(18)	(20)	(17)	(24)
Profit before tax	286	320	345	70	271
Tax	60	71	76	15	76
Profit for the period	226	249	269	55	195

Total assets

The Group's total assets made up DKK 165.8bn at year-end 2020 against DKK 147.7bn at year-end 2019.

Assets

Group - year-end (DKK bn)	2020	2019
Amounts owed by credit institutions etc	17.2	11.3
Loans and advances at fair value (reverse transactions)	18.0	12.6
Loans and advances at amortised cost (bank loans and advances)	60.2	60.6
Securities and holdings etc	39.5	34.7
Assets related to pooled plans	19.8	19.0
Other assets etc	11.1	9.5
Total	165.8	147.7

The Group's bank loans and advances totalled DKK 60.2bn at 31 December 2020. Compared to 2019 this is a decline of DKK 0.4bn. Corporate lending has gone down by DKK 2.1bn and retail lending has grown by DKK 1.7bn. At 31 December 2020 bank loans and advances included loans and advances of DKK 4.1bn attributable to the acquisition of Alm. Brand Bank.

Bank loans and advances

Group - year-end (DKK bn)	2020	2019
Corporate clients	44.7	46.8
Retail clients	15.2	13.5
Public authorities	0.3	0.3
Total	60.2	60.6

Lending to corporate clients has been affected for instance by lower willingness to invest as well as the government's relief packages, which include deferral of VAT and tax payments. Loans and advances to corporate clients have dropped by DKK 2.1bn, primarily due to lower drawings under existing credit facilities.

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

Credit facilities to corporate clients

Group - year-end (DKK bn)	2020	2019
Drawn facilities		
= loans/advances before impairment charges	46.3	48.4
Undrawn facilities	38.2	29.0
Total	84.5	77.4

Equity and liabilities

Group - year-end (DKK bn)	2020	2019
Amounts owed to credit institutions etc	7.1	5.5
Deposits and other debt	95.9	84.3
Deposits in pooled plans	19.8	19.0
Bonds issued	9.6	7.4
Other liabilities etc	18.5	17.3
Provisions	0.5	0.5
Subordinated capital	1.9	1.9
Equity	12.5	11.8
Total	165.8	147.7

The Group's deposits make up DKK 95.9bn. This is an increase of DKK 11.6bn compared to 2019 consisting of a rise in ordinary deposits of DKK 11.3bn, a rise in deposits at notice of DKK 0.1bn, a decline in time deposits of DKK 0.1bn and a rise of DKK 0.3bn regarding special categories of deposits.

At 31 December 2020 deposits included deposits of DKK 9.4bn attributable to the acquisition of Alm. Brand Bank.

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 December 2020 credit intermediation totalled DKK 165.6bn – an increase of DKK 20.5bn compared to year-end 2019. At 31 December 2020 credit intermediation concerning Alm. Brand Bank totalled DKK 22.2bn.

Total credit intermediation

Group - year-end (DKKbn)	2020	2019
Bank loans and advances	60.2	60.6
Funded mortgage-like loans	7.0	8.3
Arranged mortgage loans – Totalkredit	85.7	64.7
Arranged mortgage loans – DLR	12.7	11.5
Total	165.6	145.1

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 have gone up by DKK 21.0bn compared to 2019, of which Alm. Brand Bank accounts for DKK 16.7bn.

The Sydbank share

Number	2020	2019
Average number of shares outstanding	59,034,373	60,422,803
Number of shares outstanding at year-end	59,286,316	59,302,539
Number of shares issued at year-end	59,676,320	61,754,000

Share capital

As a result of a capital reduction in 2020 the share capital has declined from DKK 617,540,000 at year-end 2019 to DKK 596,763,200 at year-end 2020.

The number of shares outstanding has fallen from 59,302,539 (96.03%) at the end of 2019 to 59,286,316 (99.35%) at the end of 2020. The book value of the Sydbank share is 197.6 (2019: 184.9). At year-end 2020 the closing price of the Sydbank share stood at 134.5 and the share price/book value at 0.68.

Equity

At year-end 2020 shareholders' equity constituted DKK 11,712m – an increase of DKK 746m since the beginning of the year. The change comprises additions from profit for the year of DKK 754m, net purchases of own shares of DKK 3m as well as other equity adjustments of minus DKK 5m.

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 the programme as the economic effects of Covid-19 were uncertain. Under the programme 279,000 own shares were repurchased at a transaction value of DKK 31m.

Since year-end 2019 the risk exposure amount (REA) has decreased by DKK 1.2bn to DKK 54.0bn. Credit risk has gone down by DKK 2.3bn predominantly as a result of a drop in bank loans and advances of DKK 0.4bn and a decline in guarantees of DKK 0.6bn since year-end 2019. Market risk has increased by DKK 0.5bn. Other exposures have gone up by DKK 0.7bn.

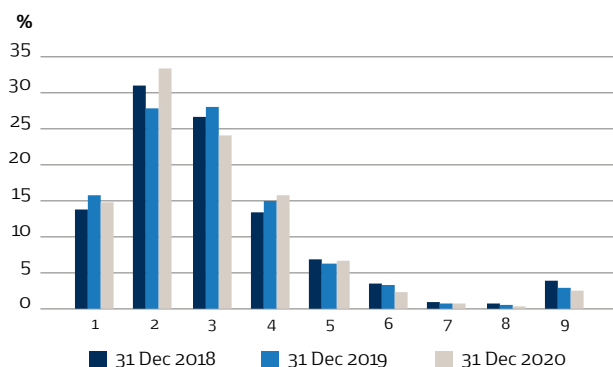
REA

Group - year-end (DKKbn)	2020	2019
Credit risk	33.3	35.7
Market risk	6.7	6.2
Operational risk	6.7	7.2
Other exposures incl CVA	7.3	6.1
Total	54.0	55.2

The development in the breakdown by rating category from 2018 to 2020 is shown below.

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

Reference is made to the note on credit risk on page 125 and the separate publication Credit Risk 2020.

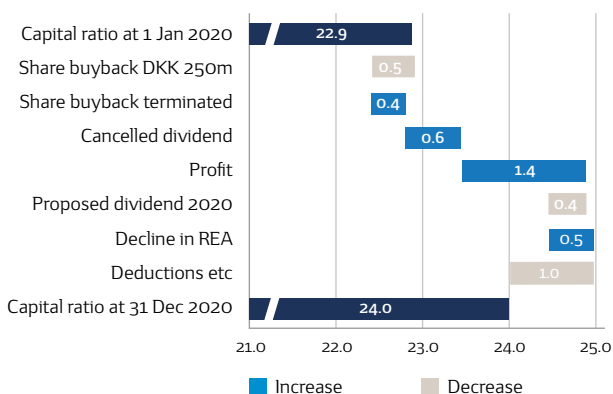
Solvency

Group - year-end (DKKm)	2020	2019
REA	54,040	55,160
CET1 capital	10,185	9,807
T1 capital	11,041	10,722
Total capital	12,952	12,620
CET1 ratio	18.8	17.8
T1 capital ratio	20.4	19.4
Capital ratio	24.0	22.9

At year-end 2020 the CET1 ratio and the capital ratio stood at 18.8% and 24.0% respectively compared to 17.8% and 22.9% respectively at year-end 2019.

In 2020 the capital ratio was positively affected by profit for the year (+1.4 percentage points), the decline in risk exposure (+0.5 percentage points) and the terminated share buyback programme (+0.4 percentage points) and negatively affected by deductions etc (-1.0 percentage point), the completed share buyback programme (-0.5 percentage points) and the proposed dividend (-0.4 percentage points).

Capital ratio in 2020



At 31 December 2020 the individual solvency need represented 10.8% (2018: 10.8%).

Solvency of the parent

At year-end 2020 the CET1 ratio and the capital ratio stood at 17.9% and 22.7% respectively (2019: 17.1% and 22.0%).

Advanced IRB – corporate exposures

Today Sydbank applies the advanced IRB approach to calculate the capital requirement as regards retail exposures and the foundation IRB approach to calculate the capital requirement as regards corporate exposures.

Sydbank is working on a project with the purpose of gaining approval to use the advanced IRB approach to calculate the capital requirement as regards corporate exposures. The objective is to gain approval at the end of 2021.

Capital policy

The Group's capital policy consistently supports the Group's strategy and at the same time takes into account Sydbank's status as a SIFI as well as full implementation of capital regulations. The Group's capital targets are a CET1 ratio of around 14.5% and a capital ratio of around 18.5%. The capital targets have been set to ensure that the Group complies with all capital requirements, including buffer requirements.

Reference is made to Capital Management on page 26.

Dividend policy

The Group's dividend policy must contribute to creating long-term shareholder value. The objective is to distribute 30-50% of profit for the year after tax while taking into account growth plans and capital policy.

MREL

Once a year the Danish FSA sets the minimum requirement for own funds and eligible liabilities (MREL) for Danish institutions, including Sydbank, which as SIFIs are under an obligation to meet the minimum requirement.

The methodology to determine the MREL was changed as from 1 January 2020 and the Group's MREL is based on the risk exposure amount using a factor which has been set at the sum of twice the solvency need and once the combined capital buffer requirement.

This requirement is lower than at 31 December 2019 when the combined capital buffer requirement was included twice. In return the combined capital buffer requirement is deducted from the calculated cover.

In December 2020 the Danish FSA set the MREL for Sydbank at 10.3% of total liabilities and total capital, equivalent to 25.1% of the risk exposure amount. The MREL at 31 December 2020 is as follows:

MREL

Group (%)	Capital requirement	MREL
Solvency need	10.8	21.6
SIFI buffer	1.0	1.0
Capital conservation buffer	2.5	2.5
Countercyclical capital buffer	0.0	0.0
Total requirement (%)	14.3	25.1
Total requirement (DKKm)	7,728	13,564

At 31 December 2020 the Sydbank Group met the MREL with an excess cover of DKK 7,060m. The excess cover corresponds to an increase in the solvency need of 6.5 percentage points or an increase in the risk exposure amount of DKK 28,100m.

One of the Group's NPS issues of EUR 500m will have a maturity of less than 1 year in February 2021 and can subsequently not be included as excess cover.

MREL and MREL excess cover

Group	Requirement (%)	DKKm
REA		54,040
Solvency need	21.6	11,673
SIFI buffer	1.0	540
Capital conservation buffer	2.5	1,351
Countercyclical capital buffer	0.0	-
Total requirement	25.1	13,564
Total capital		12,952
NPS issues with maturity exceeding 1 year		9,563
Cover of combined buffer requirement		(1,891)
Total MREL	38.2	20,624
MREL excess cover	13.1	7,060

Interest rate risk etc

The Group's interest rate risk represented DKK 171m at 31 December 2020 (2019: DKK 169m). As a result the Group would suffer a loss if interest rates rose.

The Group's exchange rate risk continues to be very low and its equity risk modest as regards its trading portfolio.

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 210% at 31 December 2020 (2019: 174%).

LCR

Group - year-end (DKKbn)	2020	2019
Total liquidity buffer	51.3	37.2
Net cash outflows	24.4	21.4
LCR (%)	210	174

The Group has met the LCR requirement of 100% throughout the year and, as can be seen, its excess cover is significant at 31 December 2020.

Performance in 2020

Funding ratio

Group - year-end (DKKbn)	2020	2019
Equity and subordinated capital	14.4	13.6
NPS loans with maturities > 1 year	9.6	7.4
Stable deposits	87.6	77.3
Total stable funding	111.6	98.3
Bank loans and advances	60.2	60.6
Funding ratio (%)	185	162

The Group's stable funding exceeded the Group's loans and advances by DKK 51.4bn at 31 December 2020 (31 December 2019: DKK 37.7bn).

Accounting estimates

Estimates in relation to the measurement of assets and liabilities are based on assumptions considered reasonable by management but which by their nature are uncertain. They may prove to be incomplete or inaccurate as a result of developments differing from projections in the external environment in which the Group operates or in other respects relating to customers or business relations. For further details reference is made to note 2.

Rating

Moody's most recent rating of Sydbank:

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

Shareholders

In 2020 the Sydbank share yielded a return of minus 4% (2019: minus 10%) as a result of the decline in the share price during the year. For reasons of prudence the Board of Directors decided to terminate the initiated share buyback programme and withdraw the proposal to pay dividends at the general meeting on the basis of the 2019 results. Consequently the total return represented minus 4% in 2020.

The Board of Directors will propose to the AGM that 30% of the Group's profit after tax, equal to a dividend of DKK 4.00 per share, be distributed and that DKK 10m be donated to the sponsorship fund Sydbank Fonden.

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.

The calculations at year-end are shown below:

Supervisory Diamond benchmarks

Group	2020	2019
Sum of 20 largest exposures < 175%	149	143
Lending growth < 20% annually	(1)	(1)
Commercial property exposure < 25%	7	6
Funding ratio < 1	0.52	0.59
Excess liquidity coverage > 100%	232	207

At 31 December 2020 the Group as well as the parent comply with all the benchmarks of the Supervisory Diamond.

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 6.1% at 31 December 2020 (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 be 6.1% (2019: 6.4%).

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

SIFI

Sydbank has been designated as a SIFI in Denmark and in 2020 there was an additional buffer requirement of 1% as regards CET1 capital. The intention is to bring Danish SIFI capital requirements on a par with the requirements in other comparable European countries.

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 period. As a result of Covid-19 the arrangement has been prolonged until 2024. Sydbank applies the transitional rules.

Bank Recovery and Resolution Directive

The directive, including the bail-in provisions, was implemented in Danish law on 1 June 2015. According to legislation each credit institution must meet a minimum requirement for own funds and eligible liabilities (MREL). In December 2020 the Danish FSA set the MREL for Sydbank at 11.0% of total liabilities and total capital, equivalent to 25.5% of the risk exposure amount made up at 31 December 2020.

The general resolution principle for SIFs is that it should be possible to restructure them and send them back to the market with adequate capitalisation to ensure market confidence. From 1 January 2020 the calculation of the Group's MREL is based on the risk exposure amount using a factor which has been set at the sum of twice the solvency need and once the combined capital buffer requirement.

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 represents DKK 22m.

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.

New definition of default

At the beginning of 2021 new rules regarding the definition of default entered into force which involve a broadening of the concept – and consequently more defaults.

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

In the interim period the Group's risk exposure amount will be considerably higher as the Group applies the foundation IRB approach as regards corporate exposures and only uses its own estimates of default.

The Danish FSA has approved Sydbank's use of the new definition of default from 1 January 2021.

The Group expects a temporary increase in the risk exposure amount of around DKK 5bn. The effect has been included in conducted stress tests and in the Group's capital plans. Assuming use of the Group's future advanced risk models, the long-term effect on the risk exposure amount is expected to be significantly smaller.

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:

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

Loans and advances to these industries represented DKK 1.7bn at 31 December 2020, equivalent to 2.8% of total loans and advances of DKK 60.2bn.

Performance in 2020

Weak corporate clients

Customers who were already weak before the Covid-19 crisis (rating categories 7-9 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 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) total DKK 0.8bn. After deduction of collateral received of DKK 0.2bn, unsecured loans and advances represent 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 31 December 2020, equivalent to 1.7% of total loans and advances of DKK 60.2bn.

Reporting events occurring after the balance sheet date

Sydbank A/S has sold 100% of the share capital in the subsidiary Alm. Brand Leasing A/S to Opendo A/S effective from 1 March 2021. In addition Sydbank A/S will acquire 10.4% of the share capital in Opendo A/S, thereby becoming a co-owner of the company together with 13 other financial institutions and an insurance undertaking.

The reason for the sale is that the current leasing set-up of Sydbank A/S is based on finance leasing while the primary focus of Alm. Brand Leasing A/S is operating leasing. With Opendo A/S as the new owner, the owners will continue to focus on operating leasing. Moreover approx 30 jobs are guaranteed.

The sale has been effected at book value at 31 December 2020 after deduction of dividends.

Outlook for 2021

Growth is projected in the Danish economy in 2021 despite expectations of negative growth influenced by Covid-19 in the first 6 months.

Total income is expected to rise sharply as a result of the acquisition of Alm. Brand Bank and measures implemented as regards deposits and fees.

Costs (core earnings) are projected to increase as a result of the acquisition of Alm. Brand Bank.

Impairment charges for 2021 are forecast to be at a low level. In addition most of the amounts owed to the Group by the mink industry are expected to be repaid in full, which could result in a reversal of impairment charges of up to DKK 150m.

Non-recurring costs are expected to be in the range of DKK 150-175m. The item consists of costs related to “A stronger bank”, costs to establish a bank/insurance partnership as well as costs related to the integration of Alm. Brand Bank.

Profit after tax is expected to be in the range of DKK 850-1,150m.

In light of the Covid-19 crisis the outlook for 2021 is subject to greater uncertainty than usual.

Capital Management

The Group's capital management ensures efficient deployment of capital relative to the Group's overall capital targets. The Group's risk profile is determined on the basis of the capital targets, which ensure first and foremost that there is adequate capital to meet the Group's growth expectations and cover fluctuations in the risks assumed by the Group.

The Group applies internal ratings based approaches to manage the credit risk of the Group's corporate and retail client portfolios. The Group applies the advanced IRB approach as regards retail clients and the foundation IRB approach as regards corporate clients to determine the Group's capital requirements. The Group expects to seek approval to use the advanced IRB approach as regards corporate clients in 2021.

The Group applies the Standardised Approach to credit risk in relation to exposures to governments and credit institutions as well as to exposures acquired from Alm. Brand Bank, which primarily consist of retail clients.

Further details, also concerning the risk exposure amount (REA), capital information and capital ratios, are found in note 3.

The Group's capital management focuses on 4 capital elements: minimum capital, adequate total capital, capital requirements including buffers and total capital.

Minimum capital represents the necessary capital in compliance with CRR and adequate total capital is the Group's determination of the capital sufficient to protect depositors against loss under the prevailing economic conditions. The solvency need is defined as adequate total capital in percentage terms of REA.

The capital requirement including buffers is based on the solvency need to which a combined buffer requirement is added. The combined buffer requirement constituted 3.5% at 31 December 2020.

Capital and solvency and capital requirements

% of REA	31 Dec 2020
Capital and solvency	
CET1 ratio	18.8
T1 capital ratio	20.4
Capital ratio	24.0
Capital requirements (incl buffers)*	
Total capital requirement	14.3
CET1 capital requirement	9.6
- of which SIFI buffer	1.0
- of which capital conservation buffer	2.5
- of which countercyclical capital buffer	0.0
Excess capital	
CET1 capital	9.2
Total capital	9.7

* The total capital requirement consists of an individual solvency need and a combined buffer requirement. The countercyclical capital buffer is determined by the Danish Ministry of Industry, Business and Financial Affairs and may not exceed 2.5%. At present the rate has been fixed at 0.0%.

The committees in the Group's risk organisation report directly to the Group Executive Management. The committees identify, monitor and assess risks within the individual risk areas and ensure that models and principles are formulated to calculate risks. The committees ensure that the Bank's business units proactively carry out their operations and address identified risks. Each committee reviews a risk assessment for its own area annually. The Group's Chief Risk Officer is a member of all committees, see Risk Management on page 124.

The adequate total capital is determined on the basis of the Danish FSA approach (8+). A proposal for the determination of the adequate total capital is prepared by Risk and is reviewed by the capital committee. The Board of Directors discusses and determines the adequate total capital on the basis of this proposal.

The proposal is based on the capital adequacy rules (Pillar 1) with add-ons for any risks deemed not to be sufficiently covered under Pillar 1. At year-end 2020 add-ons were allocated in relation to credit risk, market risk and operational risk.

The approaches and methods used to calculate the Pillar 1 capital requirement are described in more detail in note 3.

The adequate total capital/solvency need can be broken down as follows:

Adequate total capital/solvency need

	DKKm	% of REA
Credit risk	3,639	6.7
Market risk	850	1.6
Operational risk	787	1.5
Other exposures	584	1.0
Adequate total capital/solvency need	5,860	10.8

Other exposures include property, plant and equipment and the Group's equity investments as well as assets acquired concerning operating leases from Alm. Brand Bank.

Total capital is the actual capital that the Group has at its disposal.

Based on the adequate total capital the Group's capital structure can be specified as follows at 31 December 2020:

Capital structure

	DKKm	% of REA
Adequate total capital/solvency need	5,860	10.8
Combined buffer requirement	1,891	3.5
Capital requirement incl combined buffer requirement	7,751	14.3
Excess capital	5,201	9.7
Total capital	12,952	24.0

Stress testing is another important element when determining the adequate total capital.

The object of stress testing is to assess the impact of adverse events on capital needed and income. Stress test calculations show the impact for the coming 3 years under given economic scenarios.

At 31 December 2020 the Group has based its stress test calculations on the following macroeconomic scenarios:

Base case scenario which reflects the Group's forecast of developments in the economy.

Global crisis which reflects that the Danish economy will expand in 2021 but will be hit by a new recession in 2022, eg new coronavirus mutations in 2022 or a diminishing effect of the vaccines in 2022. The scenario resembles a slowdown in 2021 and subsequently a very deep recession. A relatively significant drop in household deposits is projected, predominantly as a consequence of a rise in unemployment and the decline in property prices. In terms of GDP the recession is on a par with the recession in 2008-2009.

Global crisis - frontloaded which reflects that the Danish economy will be hit by a deep recession in 2021 and that the crisis will then become a more protracted crisis involving several years of negative economic growth. This development may be due to ineffective vaccines which will stop the economic recovery in Denmark and globally. The hard landing in 2021 will cause a 60% drop in share prices in 2021.

Interest rate increase which reflects that all interest rates will go up by 200bp in Q1 2021 after which they will remain at this heightened level until the end of 2023. It is assumed that interest rates will rise significantly and quickly as a result of a faster than expected normalisation of monetary policy in USA and the euro area. Denmark will lose its status as a safe haven and therefore the global increases in interest rates will have a full impact in Denmark. The rise in interest rates will have a negative effect on private demand in Denmark and abroad.

The scenarios and their relevance are subject to ongoing assessment and the scenarios are approved by management as the basis for further stress test calculations. The impacts of the scenarios are included in the assessment of the adequate total capital. The stress tests conducted show that the Group is adequately capitalised.

Throughout 2020 the Group fully complied with external as well as internal capital requirements.

Capital Management

On the basis of the risk reporting at 31 December 2020, including the Group's ICAAP and ILAAP, the Board of Directors reviews an overall risk assessment for the purpose of making the Group's individual risks and overall risk visible.

The risk assessment contains a description and assessment of the types of risk to which the Group is exposed, including an assessment of the business model's impact on risks and risk level, as well as the activities to which the individual risks are related.

The most important types of risk and risk assessments are:

- credit risk, which is described in more detail in "Notes – Risk Management" and in Credit Risk 2020, which is available on the Bank's website - sydbank.com
- market risk, liquidity risk and operational risk, which are described in more detail in "Notes – Risk Management"
- stress tests, including in particular consequences as regards capital and income, see above
- the Group's risk organisation, which is described in more detail above and in "Notes – Risk Management"
- the Group's overall control environment, including compliance, anti-money laundering, GDPR and IT security, which are described in more detail in "Mission Statement and Business Goals" and "Organisation and Corporate Governance"
- the Group's capital and its composition, see above
- employee resources, including an assessment of competences and number
- communication, including the Group's ability to communicate internally in a fast, efficient and targeted manner, the Group's ability to communicate externally in a manner that meets legislative expectations and expectations of external stakeholders, as well as communication via social media.

The risk assessment provides the basis for an assessment of whether policies and guidelines are appropriate in relation to business-related activities, organisation and resources as well as market conditions.

The Board of Directors has approved the risk assessment and finds that risks and risk management are appropriate with respect to the business model, risk appetite and capital.

Reference is made to "Notes – Risk Management" for more information on risks and risk management.



Investor Relations

To support its strategic goals the Group ensures that stakeholders receive accurate and complete information. This is achieved by targeting investor communication according to best practice and by maintaining a high degree of professionalism.

The Group strengthens and expands relations with investors and analysts by conducting roadshows when its financial statements are published.

In addition management interacts with analysts, shareholders and potential investors at a number of seminars and conferences where current issues concerning Sydbank are presented and discussed.

The most significant part of the contact with analysts, shareholders and potential investors in 2020 was in the form of telephone and video conferences due to the coronavirus epidemic.

The Sydbank share

The Sydbank share is listed on Nasdaq Copenhagen and forms part of the OMX Copenhagen Large Cap index.

The Sydbank share dropped from 139.80 at year-end 2019 to 134.5 at year-end 2020, equal to a decrease of 3.8%. By comparison the bank index declined by 3.9%.

The Sydbank share	2020	2019
Share capital (DKKm)	597	618
Total market capitalisation at year-end (DKKm)	7,974	8,633
Share price at year-end	134.5	139.8
EPS (DKK)	12.78	13.42
Dividend per share (DKK)	4.00	-
Book value per share (DKK)	197.55	184.91
Share price/book value per share	0.68	0.76

At the end of 2020 8 analysts covered the Sydbank share.

The average daily turnover of the Sydbank share was DKK 17m in 2020 compared with DKK 28m in 2019. The share was the 38th most traded share on Nasdaq Copenhagen.

Share price developments 2020



1 January 2020 = index 139.80, ie Sydbank's share price

Dividend policy

Sydbank's overall financial goal is to provide its shareholders with a competitive return by way of price increases and dividends.

The dividend policy must contribute to creating long-term shareholder value. The objective is to distribute 30-50% of profit for the year after tax while taking into account growth plans and capital policy.

In 2020 the Bank had planned to pay a dividend of 40%, cf the Bank's dividend policy, equal to DKK 5.76 per share. As a consequence of the general situation in society as regards Covid-19, the Board of Directors resolved not to recommend dividend distribution at the AGM in 2020.

The Bank announced a share buyback programme of DKK 250m on 26 February 2020. The share buyback programme was scheduled to end on or before 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 the programme as the economic effects of Covid-19 were uncertain. Under the programme 279,000 own shares were repurchased at a transaction value of DKK 31m.

The Group's targets are a CET1 ratio of around 14.5% and a capital ratio of around 18.5%.

The Board of Directors will propose to the AGM that 30% of the Group's profit after tax, equal to a dividend of DKK 4.00 per share, be distributed and that DKK 10m be donated to the sponsorship fund Sydbank Fonden.

Mission Statement and Business Goals

Sydbank has a solid financial foundation that offers room for more business with new customers as well as existing customers. Our growth will be built on a firm and sound footing. Sydbank wishes to remain a bank operating on its own terms and we aim to be the preferred business partner. We focus on our own products but use business partners for a wide variety of financial services, for instance mortgage credit, pensions and insurance.

As an advisory and service undertaking Sydbank's primary objective is to meet the financial requirements of its customers. Sydbank achieves this objective by striving to be among the absolute top performers in Denmark in terms of operating a bank and providing advisory services to customers based on their unique situation.

Sydbank's business volume is evenly distributed across 12 Danish regions which form the basis of the direct advisory services to the Bank's customers. The total business volume consists of loans and advances, arranged mortgage loans, deposits, guarantees and custody accounts. Depending on customer segment and type of business Sydbank has a market share of between 6 and 12%. The Bank's largest market share is within the SME segment.

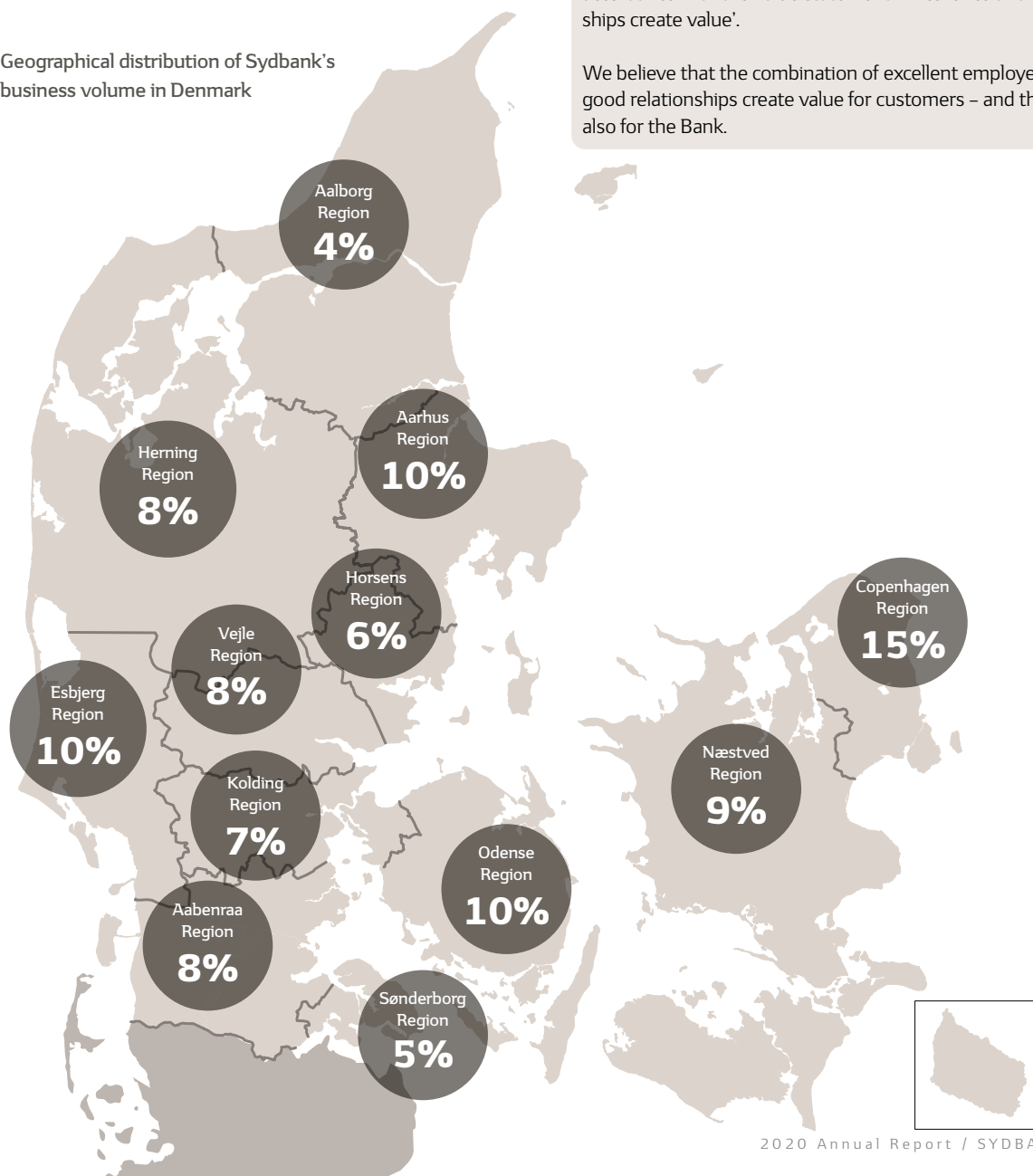
Furthermore Sydbank has 3 branches in Northern Germany and together they constitute the Bank's 13th region.

Sydbank's fundamental values

Customer relationships are guided by the Bank's service philosophy 'What can we do for you' and the Bank acts in accordance with the value statement: 'Excellence and relationships create value'.

We believe that the combination of excellent employees and good relationships create value for customers – and therefore also for the Bank.

Geographical distribution of Sydbank's business volume in Denmark



Mission Statement and Business Goals

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 clients who value professional advice we are a bank for most people but not the same bank for everyone. Good old-fashioned attentiveness,

new technology – we use what works. We know our customers and we are close to them providing advice tailored to their individual needs. Backed by the best business partners our competitive strength is increased.

Our bank – excellence and relationships create value.

Sydbank

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

Sydbank – what can we do for you.

Sydbank's 10 rules to live by

We will remain an independent bank

That's why we strive to attract shareholders seeking long-term value creation.
And not them looking for a quick profit.

We will continuously strengthen our brand and reputation vis-à-vis all stakeholders

That's why we are consistent in our communication about our goals, strategy and policies internally and externally.
And our communication does not change before our goals or strategy change.

In the competitive Danish banking sector Sydbank enjoys a unique position where it can benefit from economies of scale and be close to its customers

That's why we continue to have a centralised risk and cost management set-up and a decentralised geographical structure focusing on close relationships.
And we do not attempt to limit the human contact with our customers.

In the current market we must balance investment and profitability

That's why we strive to have a return on equity that covers the cost of capital.
And we do not seek the highest possible earnings in the short term at the expense of investments in competences and services.

Confidence in banks is low

That's why we put ethics before profit and have a responsible approach to lending.
And we do not recommend problematic products to our customers.

In the current market revenue from banking business will decline

That's why we build long-term relationships with new and existing customers and evolve in line with their requirements.
And we do not compromise on our risk profile or business-related standards.

We believe there will also be a demand for banking services in the future

That's why we invest in achieving the best position and the best reputation in the long term.
And we do not react to short-term fluctuations in share markets.

We have acquired expertise and built relationships by providing advice to medium-sized and large businesses, retail clients and Private Banking clients

That's why we continue to expand our offerings to these customers.
And we do not favour customer groups we have no experience of.

We must continuously reduce operating costs while improving our customer service and complying with tighter regulatory requirements

That's why we invest in lowering operating costs on an ongoing basis.
And we refrain from making our talented employees redundant due to cyclical fluctuations.

We must constantly be innovative

That's why we invest in documented value adding technology – as a fast follower.
But not as a pioneer in the area.

Sydbank's business model

The classic business model for banks is fundamentally concerned with optimising risk management when short-term deposits are converted to long-term loans.

This remains the cornerstone of Sydbank's – as well as other banks' – business model. And banks have an exclusive licence to accept deposits and arrange loans.

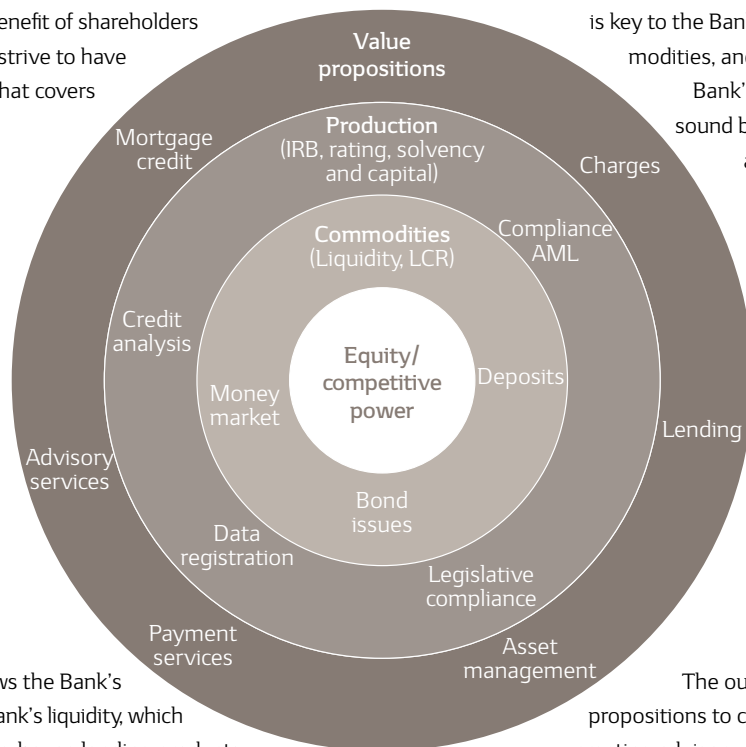
In addition to deposit and loan products produced in-house, Sydbank's business model comprises activities within payment services, securities trading and asset management as well as arranging mortgage credit products, investment management products and insurance products via business partners and is similar to the rings of an onion.

Equity

The centre of the business model is the Bank's equity. It gives the Bank its competitive strength. At Sydbank we promise to ensure attractive profitability to the benefit of shareholders and that is why we strive to have a return on equity that covers the cost of capital.

Production

The second layer holds the Bank's production, classic and sound banking, involving credit evaluation of customers based on credit analyses and ratings. Credit evaluation of customers is key to the Bank's capital consumption, ie its commodities, and consequently also decisive to the Bank's charges. In addition to classic and sound banking, compliance with legislation and regulation forms a substantial part of production activities, including prevention of money laundering. A significant share of the Bank's costs is tied to its production and as a result ongoing efficiency improvements are crucial in order to lower its operating costs.



Commodities

The next layer shows the Bank's commodities: the Bank's liquidity, which is used to produce in-house lending products. It is mainly made up of deposits but it also comprises liquidity generated via the money market or bond issues. Being able to procure competitively priced liquidity is decisive for the Bank's competitive strength and therefore the Bank strives to be strongly capitalised and to have a healthy lending portfolio.

Value propositions






The outer layer is where the Bank's value propositions to customers are generated via value-creating advisory services, the creation of long-term relationships and offerings of relevant products and services at competitive prices. Sydbank seeks to offer its products and services at prices ensuring that customers are profitable, ie that prices exceed capital costs and production costs.

Mission Statement and Business Goals

Sydbank's strategy for 2019-21: "A stronger bank"

The strategy is a refinement strategy where Sydbank's competitive strength will be boosted through an increase in quality in what we do. We will build a stronger bank with the purpose of enhancing Sydbank's market position. We will build on the foundation created during previous strategy periods and we will allocate and give priority to resources to improve our core business – Banking!

Our customers must receive greater value, our employees must have even simpler processes and Sydbank must be more distinct. The strategy's 3 themes are visualised in Sydbank's strategy map and we follow up on them on the basis of our strategic goals.

 Strategy direction	<h2>A stronger bank</h2>					
 Market assumptions	Macroeconomic outlook Low demand for loans Intensified competition Upward pressure on costs			Ramifications of the financial crisis Tighter legislation and regulations Higher qualification requirements		
 Themes	Customer first A sharper customer focus		More Sydbank A stronger profile		Digitization A more powerful engine room	
 Initiatives	<ul style="list-style-type: none"> • Customer culture • Customer relations • Accessibility • Relevance • Speed and quality 		<ul style="list-style-type: none"> • Profile • External awareness • Decency • Values 		<ul style="list-style-type: none"> • Simplification • Digitization • Optimisation • Driving forces • Fintech 	
 Strategic goals	Customer satisfaction Sydbank builds on long-term customer relationships.		Employee engagement Sydbank considers excellent and committed employees to be its most important asset.		ROE Top 3 ranking among the 6 largest banks.	

Customer satisfaction

Sydbank's objective is to gain a top 3 ranking among the 6 largest Danish banks measured in terms of customer satisfaction in the corporate segment and the retail segment. Sydbank achieved this objective in 2020.

Employee engagement

Sydbank's objective is to be best in class through internal surveys conducted by Ennova. Sydbank carries out one comprehensive survey every other year and more condensed surveys during the period leading up to the next major survey. Sydbank was best in class among financial institutions in Denmark in 2020.

Return on equity

Sydbank's objective is to achieve a top 3 ranking among the 6 largest Danish banks measured in terms of return on equity. Sydbank met this objective in 2020.

Business description

Corporate

Sydbank aims to be the preferred business partner for medium-sized and large businesses in Denmark. This position is achieved by building and maintaining value-creating and close relationships with our corporate clients.

Sydbank's corporate clients have access to a wide range of products and specialists tailored to their requirements. We make 4 promises to our corporate clients: personal advice, cooperation plan, access to specialists and a strategy compass for the future. The Bank's corporate clients receive professional advice by a personal adviser who knows the circumstances of the business and its plans for the future. As and when needed the personal adviser will select a team of highly skilled specialists and work together with the client to formulate a plan for the future business relationship. In addition the Bank offers a strategy compass with a view to discussing the financial ratios and development potential of the business.

Being one of the largest corporate banks in Denmark, Sydbank offers a wide variety of professional financing solutions tailored to the requirements of the individual business. Our corporate clients have access to efficient international commercial bank services, including payment services and cash management solutions, via the Bank's branches in Germany and its international partner banks. Sydbank can also offer advisory services within Trade Finance to clients involved in international trade.

As a rule corporate clients are served by one of the Bank's regional head offices or by special corporate branches. The Bank's primary customer segments in the corporate sector are medium-sized and large businesses with development potential that could benefit from the Bank's broad palette of products.

Corporate clients are divided into 5 segments and are served by the following entities:

- Corporate by Corporate & Institutional Banking
- Corporate Large by the regional head offices
- Corporate Medium by the regional head offices and corporate departments
- Corporate Local by retail branches with corporate local departments
- Agricultural clients by the agricultural centres.

Private Banking

Private Banking at Sydbank strives to provide competent and relevant advice at all times. As a result the Bank focuses on long-term relationships with each customer.

Sydbank - Denmark's Corporate Bank

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

Sydbank is Denmark's Corporate Bank because:

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

Sydbank excels. According to the Aalund satisfaction survey of corporate clients, Sydbank's advisers are the best qualified advisers and according to corporate clients Sydbank is best at understanding the circumstances of the business.

Sydbank is attentive and efficient. Sydbank's strong decentralised organisation with 12 Danish regions means that decisions are made promptly and very close to customers.

Sydbank is there for better or for worse. SME clients have permanent advisers who know the individual business. We build on long-term relationships and stand by our agreements and grow together.

Sydbank's products cover all requirements of corporate clients. This includes the award-winning Trade Finance, strategic advice involving the Strategy Compass, and full-scale banking in Germany to pave the way for exports.

Sydbank has an appetite for growth. Sydbank has a clear ambition in the corporate area. We will grow and we will conquer market shares without compromising our quality. More profitable businesses must become Sydbank customers.

Corporate clients are happy with Sydbank. According to the Aalund satisfaction survey of corporate clients, Sydbank's overall ranking is a shared second place among the 6 largest Danish banks. Out of 15 parameters surveyed, Sydbank takes the lead in 3.

The corporate sector would like to bank with Sydbank. Sydbank shares first place among corporate clients considering switching banks.

Sound business benefits both. Good business is created when it has value for both buyer and seller. Simple and easy to understand. This is how our corporate clients operate their business and how we operate our business.

Mission Statement and Business Goals

Within Private Banking Sydbank has a physical Private Banking department in each of the Bank's 12 regions as well as 1 in Northern Germany. Advisory services are provided by dedicated Private Bankers who are assisted by a team of experts tailored to the specific requirements of the individual customer. The entire team offers advice on optimising wealth in relation to pensions, investments and a range of other financial issues. In addition special experts from the Bank's central functions are called upon as required.

Sydbank's Private Banking concept is offered to wealthy retail clients with investable assets or a household income above a specified level. As an add-on to the Private Banking concept, we offer our wealthiest customers Sydbank's Private Banking Elite.

The Private Banking concept consists of advisory services as well as a range of benefits, thereby providing customers with attractive terms regarding eg payment cards, insurance, investment products and related services as well as fees and charges.

For many years Sydbank has targeted the investment area and primarily focuses on providing personal and individual advisory services to its customers. The extent of investment advisory services depends in general on a customer's investment preferences.

Retail

Our loyalty programme Sydbank Favorit is offered to retail clients. The flexible programme allows customers to choose the benefits that best suit them from a total of 10 benefits. In addition to Sydbank Favorit's optional benefits we offer our customers a number of fixed benefits, eg a discount on general insurance and a loyalty discount that is a special reward for the customer's years as a customer with Sydbank.

Customer dialogue – channels

Customers can contact Sydbank through many channels. We meet you where you are.

Sydbank Favorit customers with a significant business volume have a personal adviser at their branch who acts as the customer's account manager. Sydbank Favorit customers with a limited business volume are mainly served by Sydbank Direct.

The objective is that Sydbank's advisers always provide competent advice to customers on the basis of the Bank's knowledge of a customer's preferences and profile. This is ensured by:

- regularly updating advisers' professional qualifications
- analysing customers using customer data from the Bank's Data Warehouse as well as customers' choice of Sydbank Favorit benefits.

Asset Management

Sydbank offers advice and asset management to for instance investment funds, pooled pension plans, foundations and institutional clients. In addition the Bank offers asset management to wealthy customers through individual portfolio management agreements where the customer is assigned 2 portfolio managers responsible for the customer's portfolio.

Moreover the Bank offers investment management products to its different customer segments. The Bank cooperates with a number of sub-suppliers in the investment fund area, eg Sydinvest, BankInvest, Sparinvest, ValueInvest and Maj Invest.

Asset Management is also responsible for the Bank's macro, equity and fixed income research activities.

Asset management

DKKbn	2020	2019
Pooled pension plans	20	19
PengePlan®	0	4
PM mandates	20	15
Management agreements	5	4
Investment funds and hedge funds	64	52
Total	109	94

During 2020 funds under management rose from approx DKK 94bn at the beginning of the year to approx DKK 109bn at the end of the year, of which approx DKK 9bn is attributable to the acquisition of Alm. Brand Bank. The remaining part of the increase reflects a combination of net sales of investment products to the Bank's customers as well as moderately rising share and bond prices in 2020 as a whole. In other words 2020 was characterised by significant price drops in shares and corporate bonds during spring as a result of the first wave of the coronavirus crisis. However the subsequent very sharp fiscal and monetary stimuli have contributed to lifting the prices of virtually all financial assets and therefore most asset classes generated positive returns for the year. As a consequence of a decline in demand the management product PengePlan® was terminated at the end of 2020.

Custody account volume

DKKbn	2020	2019
Retail and corporate clients	150	112
Pooled pension plans	20	18
Financial institutions	3	6
Investment funds and hedge funds	59	51
Total	232	187

Custody account volume – retail and corporate clients

DKKbn	2020	2019
Danish bonds	14	11
Foreign bonds	3	3
Danish shares	57	36
Foreign shares	17	8
Investment funds and hedge funds	59	54
Total	150	112

The total custody account volume rose by approx DKK 45bn in 2020 to a total of DKK 232bn at year-end. The increase is generally attributable to a combination of Sydbank's acquisition of Alm. Brand Bank and the moderate increase in share and bond prices. However the increases in Danish share prices averaging approx 30% in 2020 have significantly driven up custody account values as many retail clients have a substantial holding of individual Danish shares in their custody accounts.

Sydbank Markets

Sydbank Markets offers advice and quotes prices as regards bonds, shares and foreign exchange as well as undertakes market making obligations. Sydbank Markets serves institutional clients, central banks, asset managers, foreign clients, major clients, banks as well as Sydbank's investment centres and departments.

Moreover Sydbank Markets is a primary dealer in Danish mortgage bonds and the Bank's primary mortgage credit partners are Nykredit, DLR Kredit, Realkredit Danmark and Nordea Kredit.

Sydbank contributes daily fixings as regards Danish interest rates to the Danish Financial Benchmark Facility under the Benchmarks Regulation, a task for which Sydbank Markets is responsible.

Human Resources and staff

Sydbank believes that excellent and committed employees are its most important asset. Excellent and committed employees are key to ensuring the Bank's continued success and value creation for Sydbank's customers as well as the Bank itself.

By means of training and recruitment the Bank aims to have highly skilled and dedicated employees who are committed to building relationships. Sydbank wants to be a workplace offering excellent career opportunities and personal development opportunities. Sydbank wants to be an attractive and socially responsible workplace with a healthy work environment.

The Bank's employees are motivated to improve their skill set on an ongoing basis and Sydbank offers in-house and external

education and training activities. In 2020 these activities included an extensive training course on understanding business for all account managers and employees in management positions. The Bank also has a general introduction programme for new employees.

In connection with recruitment Human Resources tests qualified applicants to ensure that vacancies are filled by the most eligible candidates. Every other year Human Resources conducts a comprehensive employee survey in cooperation with an external supplier. In 2020 the survey was carried out in September and the results showed an increase in job satisfaction from 78 to 81 and an increase in employee loyalty from 84 to 87 compared to 2018.

IT

IT is an essential part of the Bank's business model. Sydbank adapts its products and services on an ongoing basis to an increasingly digitized everyday life. The Bank's business is thus dynamically adapting to customers' growing demand for self-service and advisory services outside the traditional branch.

Sydbank has outsourced a considerable part of its IT operations and development to JN Data/Bankdata, which performs these activities on behalf of Sydbank.

Bankdata and Sydbank's own specialists work together to develop new IT systems. Focus is on the digitization of processes, creating a better online customer experience and new capital market systems. Development activities are divided into 5 areas:

- Software solutions
- Projects and processes
- Data Warehouse and models
- IT services
- Information security

In all 5 areas Bankdata as well as Sydbank have a role in terms of development activities.

Sydbank sees technology as a means to bring the Bank closer to the customer and to reduce complexity thus creating a simple and seamless customer experience.

IT operations and security

IT operations and security are a high priority as virtually all the Bank's business transactions involve the use of IT. Resources and skills are adjusted on an ongoing basis to meet Sydbank's own expectations in this area and those of society at large.

Mission Statement and Business Goals

IT breakdowns and cybercrime pose considerable risks to banking operations, especially in light of increasing digitization. These risks are minimised via compliance with Sydbank's contingency policy and its IT security policy.

DiBa Billån – car finance

DiBa Billån is part of Sydbank. DiBa Billån offers customers fast and easy car finance and insurance by phone or online.

Sydbank Leasing

Sydbank Leasing is part of Sydbank. Sydbank Leasing offers leasing solutions to businesses.

Rolling stock, construction equipment and production equipment are examples of assets that can be leased from Sydbank Leasing.

Headquartered in Aabenraa, Sydbank Leasing has nationwide coverage and its own sales organisation working closely with Sydbank's departments.

Business partners

Sydbank cooperates with a number of sub-suppliers to ensure that its customers receive competitive quality products. Sydbank's primary mortgage credit partners are Totalkredit and DLR Kredit and its life insurance partners are Letpension and PFA. Sydbank's non-life insurance partners are Topdanmark and Alm. Brand Forsikring.

National Banks in Denmark

Sydbank is a member of the industry association National Banks in Denmark together with Arbejdernes Landsbank, Nykredit Bank and Spar Nord Bank. The main object of the association is to strengthen members' position in relation to sector policy.



Organisation and Corporate Governance

Sydbank's management backs and actively addresses corporate governance.

Sydbank's Board of Directors and Group Executive Management consider corporate governance to be a basic prerequisite for meeting the Bank's financial and non-financial targets and maintaining a good dialogue and a good relationship with internal and external stakeholders alike.

The Bank complies with the recommendations of the Committee on Corporate Governance. As a SIFI, Sydbank publishes the statutory corporate governance report on its website. The overall position of the Board of Directors as regards the recommendations appears from Sydbank's Corporate Governance Principles. Read more at sydbank.com.

Sydbank's Board of Directors has also considered the management code of conduct of the Danish Bankers Association and follows all 12 recommendations. The overall position of the Bank as regards the management code of conduct of the Danish Bankers Association is available at sydbank.com.

The management of Sydbank is carried out by:

- the general meeting
- the Shareholders' Committee
- the Board of Directors
- the Group Executive Management.

Shareholders

A positive and ongoing dialogue with shareholders is important for Sydbank so investors gain an insight into the Bank's strategy, business model and results.

Sydbank takes part in investor presentations, investor conferences and roadshows where institutional investors can engage in dialogue with management and gain an insight into the Bank's development.

All the Bank's shareholders can get a fuller picture of Sydbank via the Bank's website, sydbank.com, where also company announcements, interim reports, annual reports and the Bank's CSR report are available.

General meeting

Shareholders' voting rights are exercised at the general meeting. Sydbank complies with the recommendations of the Committee on Corporate Governance regarding organising the Bank's general meeting. Sydbank's Articles of Association contain information on convening the general meeting, the right to submit proposals

as well as attendance and voting rights. The Bank's Articles of Association are available at sydbank.com.

Resolutions to amend the Articles of Association and resolutions to dissolve the Bank and/or to merge the Bank with other companies will only be adopted if at least 2/3 of the voting share capital is represented at the general meeting and the resolution is carried by at least 2/3 of the votes cast and of the voting share capital represented at the general meeting.

If at least 2/3 of the voting share capital is not represented at the general meeting but the resolution is carried by at least 2/3 of both the votes cast and the voting share capital represented at the general meeting, the resolution can be adopted at a new general meeting by the majority of votes cast as prescribed above irrespective of the proportion of voting share capital represented.

Resolutions to amend the Articles of Association submitted by the Shareholders' Committee or the Board of Directors may be finally adopted at a single general meeting by at least 2/3 of both the votes cast and the share capital represented at the general meeting.

Sydbank has a voting right limitation according to which no shareholder may cast a vote of more than 20,000 shares on his own behalf.

The share capital may be increased up to DKK 72,240,199 in one or more issues as determined by the Board of Directors. The authorisation applies until 1 March 2021. Increases in share capital pursuant to this authorisation may be effected without any pre-emption rights for the Bank's existing shareholders if effected by an unrestricted public subscription at market price or by conversion of debt.

Shareholders' Committee

The Bank's Shareholders' Committee is elected by the general meeting. On the recommendation of the Board of Directors the general meeting determines the total number of Shareholders' Committee members and their distribution by region.

The Shareholders' Committee elects the members of the Board of Directors and determines their remuneration. The Shareholders' Committee is obliged to work for the prosperity of the Bank as well as to represent the Bank to the best of its ability and assist the Board of Directors and the Group Executive Management.

Shareholders' Committee members are elected for a term of 3 years. Members are eligible for re-election.

Board of Directors

The Board of Directors consists of between 6 and 10 members elected by and from among the members of the Shareholders' Committee. Shareholder-elected board members are elected for a term of 1 year. Members are eligible for re-election. If the number of shareholder-elected board members is reduced to less than 6, the Shareholders' Committee will add to the number as soon as possible in order to increase the number to at least 6.

The Bank has no age limit applying to board members in the Articles of Association. The maximum term of office for shareholder-elected board members is 12 years.

The Board of Directors holds at least 11 ordinary meetings each year. In addition an annual strategy seminar is held as well as 2 annual training days. The training days were not held in 2020 due to Covid-19 restrictions.

The Board of Directors carries out an annual self-evaluation where the work and results of the Board of Directors and its individual members are assessed. On the basis of the Bank's business model the competences required for the work of the Board of Directors are determined in connection with the evaluation. In continuation hereof the competences present are assessed with a view to identifying any need for further competences. The evaluation is carried out by the Nomination Committee and every 3rd year with external assistance. The self-evaluation for 2020 was carried out without external assistance due to Covid-19 restrictions. The conclusions of the Nomination Committee's discussions are presented to the Board of Directors.

Other directorships held by the Board of Directors can be seen on pp 142-147.

Board committees

Sydbank's Board of Directors has set up 5 committees that supervise special areas or prepare matters for subsequent consideration by the full Board of Directors:

- Audit Committee
- Risk Committee
- Remuneration Committee
- Nomination Committee
- Digitization Committee.

The terms of reference of the committees are available at sydbank.dk/organisation (in Danish only), which also contains an introduction to the members and their qualifications.

Audit Committee

The Audit Committee reports to the Board of Directors and convenes as a minimum 4 times a year.

The Audit Committee reviews accounting, auditing and security issues including issues which the Board of Directors, Internal Audit, the Audit Committee or the independent auditors wish to discuss.

The Audit Committee follows up on measures taken to rectify weaknesses in internal controls reported by Internal Audit or independent auditors and ensures that material errors and omissions in the financial statements are corrected. Moreover the Audit Committee monitors the Bank's compliance with orders issued by the Danish FSA.

The Audit Committee supervises the financial reporting process including accounting policies and reviews significant accounting estimates etc before the full-year and interim financial statements are presented to the Board of Directors.

The Audit Committee convened 8 times in 2020.

The Board of Directors has appointed Søren Holm, former group executive, as the board member who possesses special qualifications within accounting and auditing. Søren Holm joined Sydbank's Board of Directors on 28 January 2020 and he has been a member of the Bank's Audit Committee since 31 March 2020. Søren Holm holds specific qualifications within financial management, accounting, risk and credit management, CSR, auditing and governance.

Committee members: Søren Holm (Chairman), former group executive; Jacob Chr. Nielsen, CEO; Gitte Poulsen, CEO; and Carsten Andersen, corporate account manager.

Reference is made to sydbank.dk/omsydbank/organisation/revisionsudvalg (in Danish only).

Risk Committee

Until 31 March 2020 the Risk Committee consisted of the entire Board of Directors.

The Risk Committee must provide the Board of Directors with an overview of the Group's current risk scenario and serve as a preparatory committee in terms of determining the Group's overall risk profile and risk strategy including the risks associated with the Group's business model.

Organisation and Corporate Governance

Moreover the Risk Committee must evaluate the Group's internal procedure for risk identification and the correlation with risk reporting and the calculation of the Group's solvency need. The Risk Committee is regularly informed of models and measurement methods forming the basis of the Group's capital management including trends in and expectations of regulatory requirements.

The Risk Committee ensures that the policies and guidelines of the Board of Directors as regards risk are implemented and function effectively in the Group.

The Group's Chief Risk Officer must assist the committee with information and attend its meetings with a view to discussing the Group's risk management.

The Risk Committee convened 5 times in 2020.

Committee members: Henrik Hoffmann (Chairman), former head of credits; Janne Moltke-Leth, executive manager; Jon Stefansson, attorney; and Lars Mikkilgaard-Jensen, former CEO and managing director.

Reference is made to sydbank.dk/omsydbank/organisation/risikoudvalg (in Danish only).

Remuneration Committee

The Remuneration Committee reports to the Board of Directors and convenes as a minimum once a year.

The Remuneration Committee formulates the Bank's remuneration policy and decides which of the Bank's functions are covered by the concept of "material risk takers". Following approval by the Board of Directors the remuneration policy is submitted to the general meeting which will make the final decision. The Remuneration Committee ensures that the remuneration policy in force is complied with.

Legislation requires that the Remuneration Committee review information about remuneration issues presented to the general meeting, perform assessments and controls of the Bank's remuneration processes and ensure that the use of variable remuneration complies with the rules of the remuneration policy and legislation.

The Remuneration Committee also prepares a recommendation to the Board of Directors concerning the remuneration of the members of the Shareholders' Committee.

The Remuneration Committee convened twice in 2020.

Committee members: Gitte Poulsen (Chairman), CEO; Jon Stefansson, attorney; and Jørn Krogh Sørensen, credit consultant.

Reference is made to sydbank.dk/omsydbank/organisation/loenuvalg (in Danish only).

Nomination Committee

The Nomination Committee reports to the Board of Directors and convenes as a minimum 4 times a year.

The Nomination Committee is tasked with evaluating management and must also identify and describe the competences required to serve on the Bank's Board of Directors and assess whether they are present. The committee lends support to the Board of Directors with regard to the recruitment of new board members and in this connection it is charged with formulating a diversity policy describing the qualifications and competences which the Board of Directors must possess. In addition the committee sets target figures for the underrepresented gender on the Board of Directors.

The Nomination Committee convened 5 times in 2020.

Committee members: Janne Moltke-Leth (Chairman), executive manager; Jacob Chr. Nielsen, CEO; and Susanne Schou, deputy chief executive.

Reference is made to sydbank.dk/omsydbank/organisation/nomineringsudvalg (in Danish only).

Digitization Committee

The Digitization Committee reports to the Board of Directors and convenes as a minimum 4 times a year.

The Digitization Committee is authorised to review, examine and analyse significant digitization initiatives in the financial sector in relation to the opportunities for Sydbank.

The Digitization Committee is tasked with advising on the Bank's long-term strategic digitization and discussing selected and planned initiatives.

The Digitization Committee convened twice in 2020. The limited frequency of meetings was due to Covid-19 restrictions.

Committee members: Susanne Schou (Chairman), deputy group executive; Lars Mikkilgaard-Jensen, former CEO and managing director; Jarl Oxlund, chairman of Sydbank Kreds; and Kim Holmer, AML administrative officer.

Attendance – Sydbank’s Board of Directors

2020	Board of Directors	Audit Committee meetings	Risk Committee meetings	Remuneration Committee meetings	Nomination Committee meetings	Digitization Committee meetings
Lars Mikkelsen-Jensen (Chairman)	29/30	2/2	5/5			2/2
Jacob Chr. Nielsen (Vice-Chairman)	30/30	8/8	1/1		5/5	
Janne Moltke-Leth	28/30		5/5	1/1	5/5	
Susanne Schou	30/30		1/1		5/5	2/2
Gitte Poulsen	30/30	6/6	1/1	1/1		
Jon Stefansson	30/30		5/5	1/1		
Søren Holm*	28/28	6/6	1/1			
Henrik Hoffmann*	28/28		5/5			
Carsten Andersen	30/30	6/6	1/1			
Kim Holmer	28/30		1/1			2/2
Jarl Oxlund	30/30		1/1			2/2
Jørn Krogh Sørensen	30/30		1/1	2/2		

* Member as of 28 January 2020 (attendance/number of meetings)

Policy and targets for the underrepresented gender

Sydbank complies with the recommendation of the Committee on Corporate Governance that once a year the Board of Directors discusses activities to ensure diversity.

The aim of the Board of Directors is that women will represent at least 30% of the board members. At year-end 2020 Sydbank’s Board of Directors consisted of 8 shareholder-elected board members and 4 members elected by the employees. Of the 12 board members, 3 are female and 9 are male. As regards shareholder-elected board members, 3 are female and 5 are male. The defined target has therefore been met as regards shareholder-elected members.

Sydbank has a policy to increase the percentage of the underrepresented gender in the other management levels of the business. It is Sydbank’s overall goal to have an equal gender balance among managers in the Bank’s business units and support functions. The Bank has set a goal that women will account for at least 35% of all managers at the Bank in 2025. This goal will be achieved in connection with the recruitment of new employees as well as by supporting more broadly the development of existing employees. The introduction of a quota regarding the management talent programme “Talent for ledelse” will hopefully help us to move forward in a positive direction. From 2020 there must be an equal gender balance among participants.

Group Executive Management

Sydbank’s Group Executive Management consists of 4 members. The Group Executive Management is appointed by the Board of Directors and consists of Karen Frøsig, CEO; Bjarne Larsen, Depu-

ty Group Chief Executive; Jørn Adam Møller, Deputy Group Chief Executive; and Henning Dam, Deputy Group Chief Executive.

The Group Executive Management constitutes the top day-to-day management of the Bank in accordance with the guidelines and instructions issued by the Board of Directors. The distribution of duties between the Board of Directors and the Group Executive Management is laid down in the rules of procedure of the Board of Directors.

The Group Executive Management attends the meetings of the Shareholders’ Committee and the Board of Directors without any voting rights.

Further information is available at sydbank.dk/omsydbank/organisation (in Danish only).

Management’s remuneration

The Bank’s remuneration policy is determined by the Bank’s Board of Directors and describes Sydbank’s positions on remuneration and the use of variable remuneration components. The Board of Directors is responsible for making any necessary adjustments to the remuneration policy and for submitting the revised remuneration policy to the general meeting for adoption.

The remuneration policy must ensure an appropriate framework in order to attract, motivate and retain the Bank’s management and employees. Furthermore it must contribute in the long term to supporting the Bank’s business strategy, including the Bank’s short-term and long-term interests, create value for the Bank, its employees, its management and its shareholders and it must

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align the interests of the Bank's different stakeholders, including the interests of the Board of Directors and the Group Executive Management, with the interests of the Bank's shareholders and other stakeholders.

In addition the remuneration policy must at all times be consistent with and promote sound and effective risk management which does not encourage excessive risk taking.

The remuneration policy contains a description of the Bank's remuneration of the Board of Directors, the Group Executive Management, material risk takers, staff engaged in control functions and other employees as well as supports the Bank's objective to be a good and motivational workplace.

Members of the Board of Directors receive a fixed fee. Board members are not covered by any type of bonus scheme.

The remuneration of the Group Executive Management is reviewed once a year. The remuneration of the Group Executive Management is determined on the basis of a wish to attract and retain the best qualified members so that the Bank's Group Executive Management is at all times composed of the necessary and correct professional and personal qualifications. The assessment is carried out on the basis of the current market level for remuneration of group executive management members in comparable banks, the Bank's overall results, customer satisfaction, the individual contribution and areas of responsibility of Group Executive Management members as well as overall performance over a long period at the Bank. In addition the remuneration of the Group Executive Management is adjusted according to the adjustment in the collective agreement concluded by the Danish Employers' Association for the Financial Sector and the Financial Services Union in Denmark.

Within the limits of the remuneration policy the Board of Directors fixes the total remuneration of the Group Executive Management, including any severance terms.

The remuneration policy applies to the Sydbank Group.

The remuneration of the Board of Directors and the Group Executive Management appears from the notes to the annual report.

Further information is available at sydbank.dk/omsydbank/undersider/loenpolitik (in Danish only).

Significant internal controls and risk management systems

Sydbank's risk management and internal controls relating to financial reporting are designed for the purpose of preparing:

- management accounts which make it possible to measure and follow up on the Group's performance
- financial statements which give a true and fair view without material misstatement and which are in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports of listed financial companies.

The Group Executive Management is responsible for maintaining effective internal controls and a risk management system in connection with financial reporting. The Group Executive Management has designed and implemented controls considered necessary and effective to counter identified risks relating to financial reporting. The Group's internal controls and risk management systems are updated on an ongoing basis and are designed with a view to identifying and eliminating errors and omissions in the financial statements.

Risk assessment

The Board of Directors and the Group Executive Management regularly assess the risks relating to the Group, including those affecting financial reporting. A description of the most significant identified risks is given in the annual report under "Accounting estimates and judgements" (note 2) and "Notes - Risk Management".

Procedures have been put into place to ensure that Sydbank at all times complies with relevant legislation and other regulations in connection with financial reporting. The Audit Committee is regularly informed of significant changes in legislation.

Monitoring

Analyses and control activities are conducted in connection with the preparation of the annual report to ensure that financial reporting is in compliance with IFRS as described under "Accounting policies" (note 1).

Risk organisation

Sydbank has a formal risk organisation comprising a number of risk committees and a Chief Risk Officer (CRO) reporting directly to the Group Executive Management. The CRO oversees that risk management within the Group is prudent and complies with the requirements of the Danish executive order on management and control of banks etc. The risk committees are headed by a member of the Bank's Group Executive Management and the CRO is a permanent member.

The risk committees identify, monitor and assess risks within the individual risk areas and ensure that models and principles are formulated to calculate risk. The committees ensure that the Bank's business units address identified risks.

Further information is available in "Notes – Risk Management" on page 124.

Compliance

Compliance is an independent division reporting directly to the Bank's Group Executive Management. The division also comprises the Bank's Data Protection Officer (DPO), whose responsibilities are described in further detail below.

Compliance supervises and assesses whether the Bank's business units have efficient procedures to comply with legislation and internal rules. The objective is to minimise the Bank's compliance risks, for example the risk of financial loss, the loss of good standing or administrative sanctions as a result of non-compliance with rules.

The work is organised so that all the Bank's activities are assessed using a risk-based approach. For each control and assessment carried out by Compliance the conclusion is reported to the relevant business unit managers who are responsible for correcting any errors or omissions identified, including adjusting inadequate systems and procedures. Compliance follows up on the implementation of appropriate measures and also follows up on the controls and assessments carried out. The time horizon for this work depends on the risk identified.

In addition Compliance is responsible for the assessment of new products and services in terms of risk. This assessment is made in cooperation with the relevant business units in the Bank as well as the Bank's risk function. The assessment is taken into account by the Group Executive Management in its deliberations on how to launch new products.

The Bank has established a Compliance Committee. The chairman is the Bank's Risk Executive (Group Executive Management member). The committee also consists of relevant group executive vice presidents or their representatives as well as the Bank's DPO. The committee meets at least once every quarter to discuss current compliance risks as well as future legislative measures.

Compliance submits quarterly reports of its most significant activities to the Bank's Group Executive Management and the Board of Directors.

Data Protection Officer

Sydbank complies with the General Data Protection Regulation, which has replaced previous data protection legislation and imposed stricter requirements regarding the manner in which businesses store and process personal data.

One of the requirements is that some businesses which store and process personal data of a certain extent must have a Data Protection Officer (DPO). In line with Compliance, the tasks of the DPO are to monitor and assess whether the Bank complies with the rules regarding personal data. The DPO must also report to the Bank's management.

Sydbank's DPO reports to the Bank's Board of Directors and Group Executive Management quarterly. The reports and the current risk scenario as regards the General Data Protection Regulation are discussed by the Bank's Compliance Committee.

Anti-money laundering

Compliance with anti-money laundering legislation is an important factor in terms of successfully managing the social task and social responsibility of preventing money laundering and terrorist financing. To strengthen its efforts to combat money laundering and terrorist financing, Sydbank has established a strong corporate governance structure in this area. Sydbank has appointed an AML Executive (Group Executive Management member), established an AML Risk Management department within the Legal Department, which assesses on an ongoing basis the Bank's risks in this area, and set up an AML Committee, where relevant group executive vice presidents meet once every quarter to discuss and assess Sydbank's efforts to combat money laundering and terrorist financing. AML Risk Management reports to the AML Committee, the Group Executive Management and the Board of Directors on a quarterly basis on the measures taken to combat money laundering and terrorist financing and on developments in the overall risks in this area.

The Danish Anti-Money Laundering Act places great emphasis on the financial sector having a risk-based approach to combat money laundering and terrorist financing. Every year Sydbank prepares a risk assessment in which relevant risks relating to money laundering and terrorist financing are identified and assessed so that the Bank has a complete overview of the areas in which the Bank may be used for money laundering and terrorist financing. On the basis of the conclusions of the risk assessment the Board of Directors has adopted a policy for prevention of money laundering, terrorist financing and sanctions breaches and an appendix regarding the Bank's risk tolerance in this area.

Organisation and Corporate Governance

The policy sets out the overall framework for the procedures, routines, job descriptions and controls to minimise the Bank's risk of being used for money laundering and terrorist financing. The policy is available on the Bank's website so that it is accessible for customers and other interested parties.

To strengthen its ongoing efforts in terms of combating money laundering and terrorist financing, the Bank has gathered all departments involved in combating crime in Customer & Transaction Monitoring, including the quality assurance department. The quality assurance department is tasked with ensuring ongoing implementation of all necessary measures in this respect in the entire Bank and among all the Bank's employees. The quality assurance department ensures that sufficient measures are implemented to address the risks identified and assessed by the Risk Management department. In addition the quality assurance department ensures that all relevant employees receive training in anti-money laundering rules.

In its efforts to prevent the Bank from being used for money laundering and terrorist financing, Sydbank has established transaction monitoring of all transactions as well as daily screening of foreign transactions against existing EU, UN and OFAC sanctions lists. When the Bank becomes aware of or suspects money laundering or terrorist financing the necessary reports are filed with the relevant authorities. Sydbank works continuously to optimise transaction monitoring and therefore the Bank's fraud department is now also part of Customer & Transaction Monitoring to ensure the necessary experience sharing between the 2 areas.

Furthermore Sydbank works constructively with all stakeholders and authorities with a view to combating money laundering and terrorist financing. The Bank takes part in relevant collaboration forums within the financial sector and on a regulatory level in order to gain knowledge about suspicious transactions and financial crime. In 2019 Sydbank also participated in Finance Denmark's anti-money laundering taskforce, which submitted a number of recommendations in late 2019 on how the financial sector can contribute to a greater degree to combat money laundering and terrorist financing. In 2020 Sydbank worked to implement these recommendations, including setting up a dedicated webpage where Sydbank can provide information on a continuing basis about its efforts to combat money laundering and terrorist financing.

Internal Audit

To gain an objective and independent assessment of the adequacy, effectiveness and quality of the Group's internal controls, Sydbank has established an internal audit function reporting to the Bank's Board of Directors.

Internal Audit performs audits focusing, among other factors, on the most significant areas of the Bank's compliance and risk management.

In addition Internal Audit oversees that:

- the Group has good administrative and accounting practices
- there are business procedures and internal controls for all important areas of activity
- management's instructions on security and controls are incorporated into business procedures and are observed
- there are prudent control and security measures within IT.

Sydbank's Corporate Social Responsibility

Our role in society

Sydbank is one of Denmark's largest banks and given its SIFI label our role in society involves a special responsibility for making a positive contribution to developments so that together we can ensure a sustainable future for the next generations – we take this responsibility seriously. This is one of the reasons why in 2020 we increased our ambitions as regards sustainability by becoming a signatory to new significant international principles and guidelines and implementing organisational changes.

Sydbank's CSR report for 2020 concerns Sydbank's corporate social responsibility efforts and sustainability efforts. The CSR report meets the current requirements pursuant to section 135b of the Danish executive order on financial reporting of credit institutions and brokerage firms etc and is available at sydbank.com.

Dialogue with stakeholders

Sydbank's growth and existence depend on dialogue and interaction with our stakeholders in our own organisation, in the marketplace and in society at large.

Common regulation of the banking sector is necessary to ensure security, transparency and stability. It is important for Sydbank that regulation is developed through a dialogue between the authorities, legislators and the banking sector. In this way it can be ensured that regulations and legislation can be implemented and managed in practice.

4 strategic focus areas

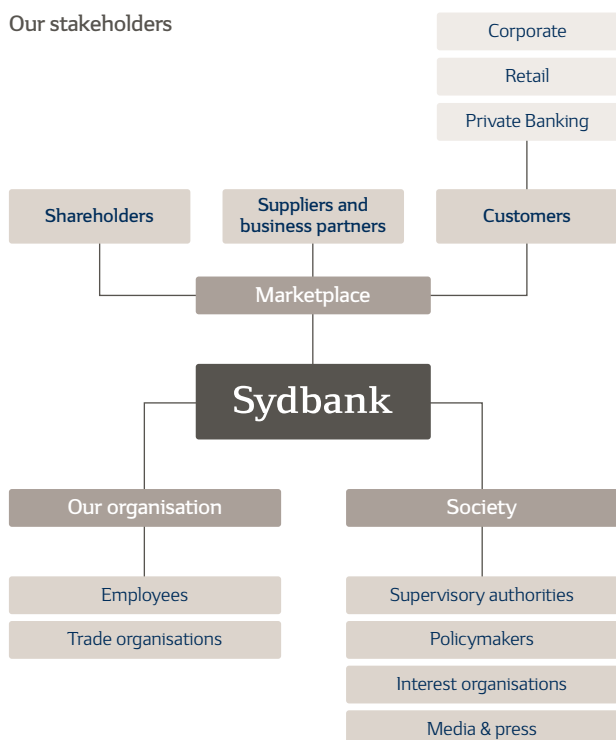
For Sydbank sustainability is about doing something because it is the right thing to do and because it can be integrated naturally in the Bank's business and consequently have an impact in the long term. In other words we must focus on the challenges in society that are closest to our core business and primary areas of impact.

As a result we have decided to focus on 4 areas where we believe we can make a significant difference: responsible finance, responsible investment, responsible employer and responsible climate footprint.

Organisation and management

Sydbank's CSR forum evaluates and decides upon concrete CSR and sustainable initiatives. The members of the forum include Sydbank's CEO and relevant group executive vice presidents.

Our stakeholders



In line with Sydbank's elevated ambitions we implemented an organisational change in 2020 aimed at bringing our sustainability efforts closer to the Group Executive Management and strategic decisions so that sustainability may be further embedded in the business.

It is still the overall responsibility of Sydbank's CSR forum to indicate the Bank's strategic direction as regards sustainability and social responsibility and the day-to-day activities concerning sustainability are undertaken by Secretariat, digitization & strategy.

Sustainable endorsements and levers

To strengthen Sydbank's sustainability efforts and its CSR efforts the Bank complies with a series of international and national initiatives, principles and guidelines.

Sydbank greatly respects the UN's efforts to establish a global partnership to work for a sustainable future. We work continuously to improve and implement measures contributing to supporting the SDGs. Sydbank's sustainability efforts are related to 7 SDGs where our activities can make a difference and we consider on a regular basis whether our activities can make a difference in relation to additional SDGs.

Sydbank joined the UN Global Compact in 2020. The UN Global Compact is a voluntary initiative where we as a company undertake to adhere to 10 principles based on international conventions and agreements. As a signatory Sydbank has the possibility to boost its CSR efforts and its sustainability efforts while at the same time send a clear message to the surrounding world that we take sustainability and social responsibility seriously.

Sydbank signed the UN Principles for Responsible Banking at the end of 2020. This step will have a great impact on Sydbank as the incorporation of the principles will define new strategic and targeted efforts to integrate sustainability into the Bank's core business to a still greater extent.

In addition to the new endorsements in 2020, Sydbank continues to follow and support the UN Principles for Responsible Investment, the Paris Agreement, the OECD Guidelines for Multinational Enterprises and ILO conventions on dignity of workers.

Proper data processing – Sydbank's data ethics policy

Financial undertakings are not yet required by law to have a data ethics policy but it is essential for Sydbank that our customers and the surrounding world have confidence in our processing and storage of their data. Consequently we have set out our position on data ethics in a policy.

Sydbank's data ethics policy concerns the Bank's work with data ethics, including ethical deliberations in connection with the use of new technologies and increased volumes of data. We have a responsibility that data processing is ethical, responsible and transparent. Therefore we regularly make sure that we improve our data processing and push developments in the data area and in addition we work in collaboration with relevant authorities in this area.



SDG 5 – Gender equality

Sydbank contributes to gender equality by continuously measuring gender diversity and by making sure that target figures as regards the underrepresented gender are set. For instance in 2020 the Board of Directors adopted a new target for the underrepresented gender on Sydbank's Board of Directors and the target has increased from 25% to 30%.



SDG 7 – Affordable and clean energy

Sydbank contributes to the scaling up of sustainable energy by using sustainable energy and by investing in sustainable wind energy. For instance in 2020 we installed a solar cell system at the head office.



SDG 8 – Decent work and economic growth

Sydbank contributes to growth in society by guaranteeing a financial infrastructure and by making financing available. In addition in our code of conduct we demand that our suppliers and business partners do not contribute to forced labour.



SDG 9 – Industry, innovation and infrastructure

Sydbank contributes through finance to our innovative corporate clients via the EU-backed growth programme InnovFin.



SDG 11 – Sustainable cities and communities

Sydbank contributes via our locally embedded sponsorships, our investment and our finance.



SDG 13 – Climate action

Sydbank contributes to the climate initiatives by complying with national and international climate control efforts. Through our products, competences and business partners we can advise our customers about sustainable initiatives, for instance energy-saving renovations.



SDG 16 – Peace, justice and strong institutions

Sydbank contributes by supporting and following institutions that work for peace and justice. We have a Tax Governance collaboration with the Danish Tax Agency, we have risk management to combat money laundering and terrorist financing and we eliminate countries from our investment universe of government bonds if for instance they are subject to international sanctions or are unable to sufficiently support security and welfare for their citizens.

Sydbank's Corporate Social Responsibility

ESG in core business – Finance and investment

Responsible finance and responsible investment constitute 2 of our 4 strategic focus areas – the pivotal point of our sustainability efforts.

Sydbank seeks to integrate environmental, social and governance risks (ESG risks) into the Bank's risk management and capital planning and our aim is to be able to report the CO₂ footprint of our loans in the long term. We took the first steps in 2020 and we will maintain our focus in 2021. Sydbank's credit policy was updated in 2020 and the policy now emphasises that Sydbank should be cautious in its approach to customers whose future earnings and viability are particularly exposed to ESG risks.

In 2010 Sydbank signed the UN Principles for Responsible Investment and as a result we are obligated to incorporate ESG factors into our investment analysis and decision-making process.

We would prefer that all businesses complied with internationally recognised norms and conventions but unfortunately it is not uncommon for cases to arise. Where the violations of norms are very serious or significant Sydbank's business partner Sustainability will engage with the company. This process is usually in collaboration with other major investors as in this way there is considerable weight behind our constructive criticism and call for change.

Combating discrimination

Sydbank acknowledges the principles of the UN Global Compact, including to respect and observe international human rights and to combat discrimination in all its forms.

Therefore, when recruiting new employees, we ensure that there is always an open and unbiased selection process without any form of discrimination and that the organisation aptly reflects the labour market's composition in terms of diversity. Our internal policies must ensure that discrimination and harassment does not occur and if discrimination or harassment should occur the policies must ensure that these situations are handled appropriately.

Indeed our employee engagement survey for 2020 shows that at Sydbank focus is on anti-discrimination and openness. The survey included a question as to whether Sydbank treats employees equally and fairly regardless of gender, gender identity, age, ethnic background, sexual orientation, religion, disability etc. The employees gave Sydbank a score of 94 out of 100.

In 2020 Sydbank participated in a report by the Employers' Association for the Financial Sector and the Financial Services Union in

Denmark examining women's path to management positions in the financial sector. Sydbank is a success story – and we are happy about that. The report shows that in Sydbank's culture male as well as female employees feel included. This observation coincides well with the results of the employee engagement survey in which the diversity and inclusion score totalled 92 out of 100. Sydbank's employees aspire to management and both women and men at Sydbank indicate overall that anyone – regardless of background – has an equal opportunity for promotion.

However at present there are far more women than men in administrative positions whereas there is a preponderance of men in Sydbank's management. We would welcome more women in Sydbank's management and the report published by the Employers' Association for the Financial Sector and the Financial Services Union in Denmark does in fact point out that Sydbank may very well be one of the first financial undertakings to achieve gender balance at management level. The introduction of a quota regarding the management talent programme "Talent for ledelse" will hopefully help us to move forward in a positive direction. From 2020 there must be an equal gender balance among participants.

Sexism has no place in Sydbank

Sydbank builds on relationships between people – human decency and mutual respect reflect the way we act, both internally and externally. Therefore sexism and offensive acts have no place in Sydbank. Employees must feel safe going to work.

We focus on preventing offensive actions. Offensive actions are dealt with in accordance with the Bank's booklet on this topic and the relevant section in the staff manual. All matters concerning offensive acts will always be dealt with seriously and appropriately by the Group Executive Vice President, Human Resources, and the employee in question will be afforded the necessary protection.

Responsible suppliers and business partners

Sydbank strives to be a responsible financial services provider. If we are to ensure that our way of banking is responsible it is necessary that our suppliers and business partners also assume responsibility and make sure that their way of doing business is responsible. As a result in 2019 we set a target for 2020 regarding the formulation of a code of conduct for our suppliers and business partners.

Sydbank's Code of Conduct was updated in 2020 and it now includes a section on responsible business activities particularly aimed at our suppliers and business partners.

Focus on energy consumption

Sydbank will be respectful of the environment in all aspects of its business and make a positive difference in order to reach its own, national and global climate targets. We optimise energy efficiency on an ongoing basis to reduce the Bank's energy consumption and transparent reporting as regards consumption is a priority for Sydbank.

In 2021 and in future, CO₂ emissions will be in focus. We are mindful of this at Sydbank and therefore we continued our collaboration with engineering consultancy company Niras in 2020 as regards the preparation of CO₂ accounts. Our CO₂ accounts are based on the Greenhouse Gas (GHG) Protocol and are consistent with the method of calculation recommended by FSR – Danish Auditors, Nasdaq Copenhagen and CFA Society Denmark in their guidance on ESG key figures.

Sydbank has its own energy management, which ensures that energy efficiency is always a consideration in connection with relevant activities and we work on a daily basis to reduce the Bank's energy consumption. Energy consumption as regards 90% of the Bank's building stock is monitored on an hourly basis via the system App.KeepFocus, which gives us an overview of energy used and sends a warning if there are variations in readings.

In 2019 we defined a goal to set up a solar cell system at the head office – and this was achieved in 2020. It is our ambition that the solar cell system will cover our standby electricity at the

head office and we project that the system will produce a total of 370,000-400,000 kWh of electricity per year.

Despite ongoing energy optimisation and focus on the use of renewable energy sources we continue to need electricity generated by conventional energy. At Sydbank we will take responsibility by carbon offsetting our use of conventional energy. Consequently we decided that from 1 November 2020 we would buy electricity generated by Danish wind turbines to offset the unavoidable CO₂ emissions. We buy renewable wind energy containing individual declarations as proof that the electricity purchased is generated by Danish wind turbines and offsets Sydbank's CO₂ emissions as regards electricity. However climate compensation is not our first choice or a carte blanche for CO₂ emissions. First and foremost we strive to reduce our emissions as much as possible by means of measures such as purchasing electric cars and energy renovation. Consequently carbon offsetting is not a long-term solution but a current alternative tool.

ESG key figures

The Bank's ESG data for 2018-2020 is shown below. The data disclosed is calculated on the basis of the recommendations of the guidance on ESG key figures by CFA Society Denmark, FSR – Danish Auditors and Nasdaq Copenhagen.

Sydbank has decided to follow the guidance on ESG key figures because it is consistent with the Bank's ambition to operate a responsible and transparent business.

ESG data*	Unit	2020	2019	2018
<i>Environmental data</i>				
CO ₂ emissions, scope 1 (location-based method)	Tonne	382	454	457
CO ₂ emissions, scope 2 (location-based method)	Tonne	1,830	2,258	2,388
Electricity consumption	kWh	6,441,908	6,746,458	7,272,271
Water consumption	m ³	14,419	14,070	15,432
<i>Social data</i>				
Full-time staff	FTE	2,021	2,107	2,130
Gender balance (M/F) among employees	%	50/50	48/52	49/51
Women in management positions	%	29.3	29.7	30.3
Pay gap between men and women	Times	1.2	1.2	1.2
Employee turnover rate	%	8.0	12.0	9.1
Absence due to illness	Days/FTE	3.3	3.1	2.8
<i>Governance data</i>				
Women board members	%	37.5	50.0	28.6
Pay gap between CEO and employees	Times	12.6	12.6	12.6

* Excluding data from Alm. Brand Bank.

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Income Statement

DKKm	Note	Sydbank Group		Sydbank A/S	
		2020	2019	2020	2019
Interest income calculated using the effective interest method		1,824	1,907	1,811	1,911
Other interest income		269	335	266	335
Interest income	7	2,093	2,242	2,077	2,246
Interest expense	8	462	536	458	535
Net interest income		1,631	1,706	1,619	1,711
Dividends on shares	9	25	31	30	35
Fee and commission income	10	2,208	2,206	2,045	2,058
Fee and commission expense	10	307	341	267	285
Net interest and fee income		3,557	3,602	3,427	3,519
Market value adjustments	11	340	226	348	236
Other operating income	12	20	28	21	29
Staff costs and administrative expenses	13	2,724	2,729	2,632	2,666
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment		109	113	103	101
Other operating expenses		23	28	23	28
Impairment of loans and advances etc	14	48	(90)	48	(90)
Profit/(Loss) on holdings in associates and subsidiaries	15	8	5	11	0
Profit before tax		1,021	1,081	1,001	1,079
Tax	16	222	228	199	218
Profit for the year		799	853	802	861
Distribution of profit for the year					
Shareholders of Sydbank A/S				763	822
Holders of AT1 capital				39	39
Total amount to be allocated				802	861
Proposed dividend to shareholders of Sydbank A/S				238	-
Interest paid to holders of AT1 capital				39	39
Proposal for allocation for other purposes				10	7
Transfer to equity				515	815
Total amount allocated				802	861
EPS Basic (DKK)*		12.8	13.4	12.8	13.6
EPS Diluted (DKK)*		12.8	13.4	12.8	13.6
Proposed dividend per share (DKK)		4.00	-	4.00	-

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

Statement of Comprehensive Income

Profit for the year	799	853	802	861
Other comprehensive income				
<u>Items that may be reclassified to the income statement:</u>				
Translation of foreign entities	1	8	1	8
Hedge of net investment in foreign entities	(1)	(8)	(1)	(8)
<u>Items that may not be reclassified to the income statement:</u>				
Property revaluation	(10)	12	(10)	12
Value adjustment of certain strategic shares	9	11	-	-
Other comprehensive income after tax	(1)	23	(10)	12
Comprehensive income for the year	798	876	792	873

Balance Sheet

DKKm	Note	Sydbank Group		Sydbank A/S	
		2020	2019	2020	2019
Assets					
Cash and balances on demand at central banks		2,806	2,428	2,806	2,428
Amounts owed by credit institutions and central banks	17	14,428	8,863	14,428	8,863
Loans and advances at fair value	18	17,961	12,602	17,961	12,602
Loans and advances at amortised cost	18	60,229	60,554	61,429	61,013
Bonds at fair value	19	36,942	32,357	36,942	32,357
Shares etc	20	2,409	2,211	2,409	2,211
Holdings in associates etc	21	173	147	173	147
Holdings in subsidiaries etc	22	-	-	3,425	2,362
Assets related to pooled plans	23	19,773	19,042	19,773	19,042
Intangible assets	24	445	239	445	239
Owner-occupied property	25	1,079	1,077	846	853
Owner-occupied property (leasing)		101	72	101	72
Total land and buildings		1,180	1,149	947	925
Other property, plant and equipment	26	70	61	70	61
Current tax assets		147	173	155	178
Deferred tax assets	16	20	33	14	15
Assets in temporary possession	47	971	-	2	-
Other assets	27	8,170	7,809	7,768	7,442
Prepayments		76	70	76	68
Total assets		165,800	147,738	168,823	149,953
Equity and liabilities					
Amounts owed to credit institutions and central banks	28	7,093	5,497	7,093	5,739
Deposits and other debt	29	95,919	84,295	99,165	86,430
Deposits in pooled plans		19,773	19,042	19,773	19,042
Liabilities temporarily acquired	47	88	-	-	-
Bonds issued at amortised cost	30	9,563	7,437	9,563	7,437
Other liabilities	31	18,465	17,360	18,367	17,237
Deferred income		7	3	7	3
Total liabilities		150,908	133,634	153,968	135,888
Provisions	32	529	477	529	476
Subordinated capital	33	1,857	1,863	1,857	1,863
Equity					
Share capital		597	618	597	618
Revaluation reserves		104	116	104	116
Other reserves:					
Reserves according to articles of association		425	425	425	425
Reserve for net revaluation according to equity method		2	4	2	4
Retained earnings		10,336	9,451	10,336	9,451
Proposed dividend etc		248	352	248	352
Shareholders of Sydbank A/S		11,712	10,966	11,712	10,966
Holders of AT1 capital		757	760	757	760
Minority shareholders		37	38	-	-
Total equity		12,506	11,764	12,469	11,726
Total equity and liabilities		165,800	147,738	168,823	149,953

Statement of Changes in Equity

Sydbank Group

DKKm	Share capital	Revaluation reserves	Articles acc. to articles of association*	Reserve for 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				(2)	508	248	754	39	6	799
Other comprehensive income		(12)			11		(1)			(1)
Comprehensive income for the year	-	(12)	-	(2)	519	248	753	39	6	798
Transactions with owners										
Purchase of own shares					(749)		(749)			(749)
Sale of own shares					746		746			746
Reduction of share capital	(21)				21		-			-
Interest paid on AT1 capital							-	(39)		(39)
Exchange rate adjustment					3		3	(3)		0
Cancelled dividend					345	(345)	-			-
Dividend etc paid						(7)	(7)		(5)	(12)
Purchase of holdings in subsidiaries					0		0		(2)	(2)
Total transactions with owners	(21)	-	-	-	366	(352)	(7)	(42)	(7)	(56)
Equity at 31 Dec 2020	597	104	425	2	10,336	248	11,712	757	37	12,506
Equity at 1 Jan 2019	677	104	425	4	9,122	590	10,922	760		11,682
Profit for the period					459	352	811	39	3	853
Other comprehensive income		12			11		23			23
Comprehensive income for the year	-	12	-	0	470	352	834	39	3	876
Transactions with owners										
Purchase of own shares					(803)		(803)			(803)
Sale of own shares					602		602			602
Reduction of share capital	(59)				59		-			-
Interest paid on AT1 capital							-	(39)		(39)
Exchange rate adjustment							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)	-	-	-	(141)	(590)	(790)	(39)	35	(794)
Equity at 31 Dec 2019	618	116	425	4	9,451	352	10,966	760	38	11,764

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

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

DKKm	Share capital	Revaluation reserves	Articles 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**	Total equity
Equity at 1 Jan 2020	618	116	425	4	9,451	352	10,966	760	11,726
Profit for the period				(2)	517	248	763	39	802
Other comprehensive income		(12)			2		(10)		(10)
Comprehensive income for the year	-	(12)	-	(2)	519	248	753	39	792
Transactions with owners									
Purchase of own shares					(749)		(749)		(749)
Sale of own shares					746		746		746
Reduction of share capital	(21)				21		-		-
Interest paid on AT1 capital							-	(39)	(39)
Exchange rate adjustment					3		3	(3)	0
Cancelled dividend					345	(345)	-		-
Dividend etc paid						(7)	(7)		(7)
Total transactions with owners	(21)	-	-	-	366	(352)	(7)	(42)	(49)
Equity at 31 Dec 2020	597	104	425	2	10,336	248	11,712	757	12,469
Equity at 1 Jan 2019	677	104	425	4	9,122	590	10,922	760	11,682
Profit for the period					470	352	822	39	861
Other comprehensive income		12			0		12		12
Comprehensive income for the year	-	12	-	0	470	352	834	39	873
Transactions with owners									
Purchase of own shares					(803)		(803)		(803)
Sale of own shares					602		602		602
Reduction of share capital	(59)				59		-		-
Interest paid on AT1 capital							-	(39)	(39)
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)		(6)
Total transactions with owners	(59)	-	-	-	(141)	(590)	(790)	(39)	(829)
Equity at 31 Dec 2019	618	116	425	4	9,451	352	10,966	760	11,726

The share capital comprises 59,676,320 shares at a nominal value of DKK 10 or a total of DKK 596.8m.

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

Cash Flow Statement

Sydbank Group

DKKm	2020	2019
Operating activities		
Pre-tax profit for the year	1,021	1,081
Taxes paid	(174)	(160)
Adjustment for non-cash operating items:		
Profit/(Loss) on holdings in associates	3	1
Amortisation and depreciation of intangible assets and property, plant and equipment	109	113
Impairment of loans and advances/guarantees	47	(90)
Other non-cash operating items	65	(19)
	1,071	926
Changes in working capital:		
Credit institutions and central banks	(1,512)	2,530
Trading portfolio	(558)	(2,704)
Other financial instruments at fair value	(33)	(658)
Loans and advances	(842)	(5,573)
Deposits	1,718	(1,982)
Other assets/liabilities	187	2,437
Cash flows from operating activities	31	(5,024)
Investing activities		
Purchase of holdings in associates	(29)	(8)
Sale of holdings in associates	0	13
Acquisition of Alm. Brand Bank	(1,897)	-
Purchase of holdings in subsidiaries	(2)	-
Sale of holdings in subsidiaries	0	33
Purchase of property, plant and equipment	(110)	(59)
Sale of property, plant and equipment	11	9
Cash flows from investing activities	(2,027)	(12)
Financing activities		
Purchase and sale of own holdings	(2)	(201)
Dividends etc	(7)	(583)
Raising of subordinated capital	-	-
Issue of bonds	2,133	3,715
Redemption of bonds	-	-
Cash flows from financing activities	2,124	2,931
Cash flows for the year	128	(2,105)
Cash and cash equivalents at 1 Jan	6,753	8,858
Cash flows for the year (changes during the year)	128	(2,105)
Cash and cash equivalents at 31 Dec	6,881	6,753
Cash and cash equivalents at 31 Dec		
Cash and balances on demand at central banks	2,806	2,428
Fully secured cash and cash equivalent balances on demand with credit institutions and insurance companies	1,016	1,255
Unencumbered certificates of deposit	3,059	3,070
Cash and cash equivalents at 31 Dec	6,881	6,753

Notes

Note 1 Accounting policies

Basis of preparation

The consolidated financial statements of Sydbank are prepared in compliance with International Financial Reporting Standards (IFRS) as adopted by the EU. The financial statements of the parent, Sydbank A/S, are prepared in compliance with the Danish Financial Business Act, including the Danish executive order on financial reporting of credit institutions and brokerage firms etc, which is in compliance with the provisions on recognition and measurement according to IFRS.

Furthermore the annual report is prepared in compliance with additional Danish disclosure requirements for annual reports of listed financial companies.

On 2 March 2021 the Board of Directors and the Group Executive Management reviewed and approved the 2020 Annual Report of Sydbank A/S. The Annual Report will be submitted for adoption by the AGM on 25 March 2021.

New accounting policies

The following amended IFRS standards have been implemented effective from 1 January 2020:

- Amendments to IAS 1 and IAS 8 regarding the definition of material
- Amendments to IFRS 3 regarding the definition of business combinations
- Amendments to IFRS 9, IAS 39 and IFRS 7 regarding the IBOR reform.

The changes have not had any effect on recognition and measurement in the consolidated financial statements and the financial statements and consequently they have had no impact on EPS Basic.

Apart from the above the accounting policies applied are consistent with those adopted in the previous year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Group and the value of the asset can be measured reliably. Liabilities are recognised in the balance sheet when they are probable and can be measured reliably.

Income is recognised in the income statement as earned. Costs incurred to earn the year's income are recognised in the income statement. Value adjustments of financial assets, financial liabilities and derivatives are recognised in the income statement apart

from value adjustments of derivatives used to provide foreign currency hedging of net investments in foreign subsidiaries and associates. The latter value adjustments are recognised in the statement of comprehensive income.

Purchase and sale of financial instruments are recognised on the settlement date.

Significant recognition and measurement principles

Consolidated financial statements

The consolidated financial statements include the parent, Sydbank A/S, as well as subsidiaries in which Sydbank A/S exercises control over financial and operating policies. "Group holdings and enterprises" (note 44) lists the consolidated entities.

The consolidated financial statements combine the items of the parent and the individual subsidiaries in accordance with the Group's accounting policies, in which intra-group income, costs, shareholdings, balances and dividends as well as realised and unrealised gains on intra-group transactions have been eliminated.

Acquisitions

Entities acquired are recognised in the consolidated financial statements from the acquisition date. Comparative figures are not restated for entities acquired.

Identifiable assets acquired and liabilities and contingent liabilities assumed of entities acquired are measured at the acquisition date at fair value in accordance with the acquisition method. Identifiable intangible assets are recognised if they are separable or arise from a contractual right. Deferred tax on revaluations is recognised.

The acquisition date is the date on which the Group obtains control over the entity acquired.

Where the cost of acquisition exceeds the fair value of the net assets of the entity acquired, the difference is recognised as goodwill. Goodwill is not amortised but is tested for impairment at least once a year. On acquisition goodwill is allocated to the cash-generating units which subsequently form the basis of impairment tests.

Costs incurred in connection with acquisitions are included in administrative costs in the year when incurred.

Notes

Note 1 Accounting policies – continued

Where at the date of acquisition there is uncertainty as regards the identification or measurement of assets acquired, liabilities or contingent liabilities assumed or the determination of the cost of acquisition, initial recognition is based on provisional values. Where the identification or measurement of the cost of acquisition or of assets acquired, liabilities or contingent liabilities assumed subsequently proves to have been incorrect on initial recognition, the determination will be adjusted retroactively, including goodwill, until 12 months after the acquisition and comparative figures are restated. After such time the pre-acquisition balance sheet will not be adjusted. Changes in estimates of contingent costs of acquisition are recognised in profit for the year.

Entities disposed of are consolidated until the transfer date.

Foreign currency translation

The consolidated financial statements are presented in DKK, the functional currency of the parent. Transactions in foreign currencies are translated at the exchange rate on the date of transaction. Balances in foreign currencies are translated at the closing rate.

Offsetting

The Group sets off assets and liabilities only when the Group has a legally enforceable right to set off the recognised amounts and intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income criteria

Income and expenses, including interest income and interest expense, are accrued over the periods to which they relate and are recognised in profit or loss at the amounts relevant to the accounting period. Guarantee commission is recognised as income over the life of the guarantees. Income for implementing a given transaction, including securities fees and payment service fees, is recognised as income when the transaction has been implemented.

The Group's fees are divided into the following categories:

1. Fees that are an integral part of the effective interest rate
2. Fees obtained when a service has been supplied
3. Fees obtained on performance of a specific act.

Fees that are an integral part of the effective interest rate are recognised as income over the expected life of the loans and are included under interest income, see note 7.

Fees covered by 2 and 3 above are recognised as income when the service has been supplied and when the act has been performed respectively. The fees are specified in note 10.

Loan fees, which appear from note 10, primarily concern arranged mortgage loans.

Financial assets and liabilities

General provisions concerning recognition and measurement
Financial assets are classified on the basis of the Group's business model and the contractual cash flow characteristics of the individual financial assets. With this as a basis, measurement is according to one of the following principles:

- Amortised cost (AMC)
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVPL).

Except for certain strategic shareholdings that are measured at FVOCI, the Group only has financial assets that are measured at AMC or FVPL.

The Group's financial assets are measured at AMC if they are held for a commercial purpose in order to collect the contractual cash flows of the assets ("hold to collect") and if such contractual cash flows of the financial assets consist solely of payments of principal and interest on the amount outstanding.

With the exception of certain strategic shareholdings the Group's other financial assets are measured at FVPL, including financial assets which are held for a different commercial purpose, eg financial assets which are managed on a fair value basis or form part of the trading portfolio, and financial assets for which the contractual cash flows of the financial assets do not solely consist of payments of principal and interest on the amount outstanding.

Some of the Group's strategic shareholdings are measured at FVOCI. Dividends on such shareholdings are recognised in the income statement whereas unrealised and realised market value adjustments are recognised in other comprehensive income and therefore do not have an impact on the income statement.

Assessment of business model

The Group's operating segments include Banking, which has a "hold to collect" business model. Financial assets consist primarily of loans and advances. Sydbank Markets' business model is neither based on "hold to collect" or "hold to collect and sell" and consequently financial assets must be recognised at fair

Note 1 Accounting policies – continued

value through profit or loss. Assets comprise bonds, shares, repo transactions and loans and advances. Certain of these financial assets form part of portfolios with a trading pattern meeting the definition of “held for trading” whereas other portfolios are managed on a fair value basis.

Assessment of contractual cash flow characteristics (solely payments of principal and interest on amount outstanding)

The classification of financial assets which form part of portfolios that are either “hold to collect” or “hold to collect and sell” is assessed based on whether the contractual cash flows of the financial asset consist solely of payments of principal and interest on the amount outstanding. The principal reflects the fair value at initial recognition and subsequent changes, eg as a result of repayment. Interest payments should only reflect consideration for the time value of money, for the credit risk and for other basic lending risks as well as a margin consistent with the basic lending arrangement.

Guarantee scheme

Contributions to the Guarantee Fund and the Resolution Fund, for instance to cover losses related to the resolution or bankruptcy of banks, are recognised under “Other operating expenses”.

Repo and reverse transactions

Securities sold under agreements to repurchase the same remain on the balance sheet. Consideration received is recognised as a debt and the difference between selling and buying prices is recognised over the life as interest in the income statement. Gains or losses on securities are recognised in the income statement.

Securities bought under agreements to resell the same are not recognised in the balance sheet and gains or losses on securities are not recognised in the income statement. Consideration paid is recognised as a receivable and the difference between buying and selling prices is recognised over the life as interest in the income statement.

Repo and reverse transactions are recognised and measured at fair value as they are regarded as an integral part of the trading portfolio and form part of ongoing risk management and determination of gains thereon.

Transfer of loans

The Group transfers certain loans secured on real property to a mortgage credit institution under the joint funding provisions of the Danish Financial Business Act. As of the transfer date the loans are no longer recognised in the Group's balance sheet

because the Group has transferred control and a certain share of the risks and benefits associated with the loans to the mortgage credit institution. The Group provides a guarantee for part of the risk associated with the loans for which it receives guarantee commission. Moreover the Group receives fee income from the mortgage credit institution for ongoing servicing of the loans transferred.

Amounts owed and loans and advances

Initial recognition of amounts owed by credit institutions and central banks as well as loans and advances is at fair value plus transaction costs and less origination fees received.

Subsequent measurement of amounts owed by credit institutions etc and loans and advances that are not reverse transactions is at amortised cost less impairment charges for expected losses.

Amounts owed by credit institutions etc and loans and advances at amortised cost are all assessed to determine whether evidence of credit impairment exists.

ECL impairment model

Impairment charges are recorded for expected credit losses as regards all financial assets measured at amortised cost and similar provisions are made for expected credit losses as regards loan commitments and financial guarantees. As regards financial assets recognised at amortised cost, impairment charges for expected credit losses are recognised in the income statement and deducted from the value of the asset in the balance sheet. Provisions for loan commitments and financial guarantees are recognised as a liability.

According to the impairment model impairment charges are recorded for all exposures on the basis of an expected loss model. At the date of initial recognition an exposure is written down by an amount equal to the expected credit loss within 12 months (stage 1). Impairment charges for expected credit losses subsequently depend on whether the credit risk of a financial asset (facility) 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

Notes

Note 1 Accounting policies – continued

- **Stage 3** – facilities where the financial asset is in default or is otherwise credit impaired. As opposed to stages 1 and 2 interest income is recognised solely on the basis of the impaired value of the asset.

The staging assessment and the calculation of expected credit loss are based on the Group's rating models and credit management.

Expected losses regarding exposures in stages 1 and 2 are calculated on the basis of models while the calculation for exposures in stage 3 and weak stage 2 is based on an individual assessment.

Model calculation is based on the Group's rating model, which has been instrumental in connection with credit management for many years, and is supplemented by macroeconomic factors adjusting the calculated PD values.

The retail client model is based primarily on account behaviour (overdue payments and overdrafts). On the basis of this data and inherent statistical correlations, clients are rated according to their probability of default vis-à-vis the Group within the next 12 months.

In addition to account behaviour the corporate client model is based on accounting data, financial conduct as well as appraisals by the credit officer and/or the account manager of the client's current strength profile and an industry analysis.

The assessment of whether credit risk has increased significantly since initial recognition is made by assessing changes in the risk of default over the remaining life of the financial asset rather than assessing the increase in the expected credit loss. A facility is transferred from stage 1 to stage 2 when the following increase in PD is observed:

- Facilities with a PD below 1% on establishment: an increase in the 12-month PD of the facility of at least 0.5 percentage points and a doubling of the lifetime PD of the facility since its establishment
- Facilities with a PD above 1% on establishment: an increase in the 12-month PD of the facility of at least 2 percentage points or a doubling of the lifetime PD of the facility.

Facilities more than 30 days past due are transferred to stage 2 (or stage 3). Forborne loans and advances are also transferred to stage 2 if losses are not expected in the most likely scenario or the client is in a 2-year waiting period for loans on special terms.

Exposures belonging to clients whose ability to pay shows significant signs of weakness are classified in weak stage 2. By means of analyses and random sampling, Risk Follow-up monitors the credit quality, registrations, impairment calculations of the exposures as well as the compliance with policies and business procedures in general. Risk Follow-up evaluates on the basis of a credit expert assessment whether the Group's rating models rank exposures correctly.

The Group does not transfer exposures back to stage 1 regardless of whether the contractual cash flows are renegotiated to a level reflecting client risk.

In connection with renegotiations an exposure is regarded as a new exposure and consequently renegotiation will not result in recognition of gains or losses.

The expected credit loss is calculated for each individual facility on the basis of EAD (exposure at default) multiplied by PD (probability of default) and LGD (loss given default).

Exposures in default, see the definition below, or as regards which the exposure has been transferred to the central department for non-performing exposures or whose probability of loss is higher than 50%, are credit impaired and are classified as stage 3.

The expected credit loss over the life of the financial asset covers the expected remaining life of the facility. For most facilities the expected life is limited to the remaining contractual term. For facilities consisting of a loan as well as an undrawn loan commitment and for which a contractual right to demand early repayment and cancellation of the undrawn loan commitment exists, the Group's exposure to credit losses is not limited to the contractual notice period. In this case the expected life is assumed to equal the period during which the Group expects to be exposed to credit losses. The expected life is determined on the basis of the historical life of the instruments in question. Facilities for which the expected life is longer than the remaining contractual term comprise for instance credit cards, overdraft facilities and certain revolving credit facilities.

The calculation of the expected loss reflects management's current expectations. Scenarios are prepared: baseline, upturn and downturn, including an assessment of the likelihood of each scenario. Management's review of the scenarios may imply that changes are made to the scenarios or the probability weighting.

Note 1 Accounting policies – continued

In addition to the calculated impairment charges to cover expected credit losses at exposure level, management makes a number of estimates of factors which are expected to affect future losses on the exposures existing on the balance sheet date, including for instance expectations of macroeconomic conditions, industry developments or particularly risky portfolios. On the basis thereof adjustments of calculated impairment charges are recognised.

Default

The definition of default used to measure expected credit losses and assess whether an asset must be transferred to another stage corresponds to the definition applied for internal risk management purposes and is adapted to the Capital Requirements Regulation (CRR). Consequently exposures which for regulatory purposes are considered to be in default are always classified as stage 3, both as regards the number of days past due (90 days) and the assessment of factors which will probably lead to non-payment and hence default according to the regulatory rules.

According to the Group's rating system, a client is in default if at least one of the following events has occurred:

- A write-off has been recorded as regards the client
- The client has at least one non-accrual credit facility
- An impairment charge/provision has been registered in connection with the client and a loss must be regarded as unavoidable
- The exposure has been transferred to the Group's central department for non-performing exposures.

Write-off policy

The Group's practice is that a debt is written off for accounting purposes if the legal claim is forfeited or the likelihood of collection is very remote. The fundamental principles as regards write-offs are as follows:

- For retail clients a debt is written off in part or in full if the management of the customer relationship is transferred to the Group's collection department
- For corporate clients a debt is written off in part or in full in connection with a forthcoming bankruptcy, restructuring or initiated realisation of collateral.

Debt which has been written off for accounting purposes but where a legal claim has been upheld is specified in the notes.

Leases (lessor)

Lease assets in connection with finance leases in which the Group is the lessor are recognised under loans and advances at the net investment in the leases less amortisation (repayment) which is computed according to the annuity method over the lease term.

Income from the lease assets is recognised on the basis of the agreed effective interest rate of the leases and is recognised in profit or loss under "Interest income". Sales proceeds from lease assets are recognised under "Other operating income".

Leases (lessee)

Lease assets and lease liabilities are recognised in the balance sheet when the Group, under the terms of a lease agreement concerning a specifically identified asset, is given possession of the lease asset during the lease term and when the Group obtains the right to substantially all of the economic benefits from the use of the identified asset and the right to direct the use of the identified asset during the lease term.

Lease liabilities are measured initially at the present value of future lease payments discounted using an alternative borrowing rate. The following lease payments are recognised as part of the lease liability:

- Fixed payments
- Variable payments depending on changes in an index or an interest rate
- Payments due under residual value guarantees
- The exercise price of a purchase option if the Group is reasonably certain to exercise the option
- Payments comprised by an option to extend a lease if the Group is reasonably certain to exercise the option
- Penalties relating to an option to terminate a lease unless the Group is reasonably certain not to exercise the option.

A lease liability is measured at amortised cost using the effective interest method. The lease liability is reassessed if there are changes in the underlying contractual cash flows as a result of changes in an index or an interest rate, if there are changes in the Group's estimate of a residual value guarantee or if the Group changes its assessment of whether it is reasonably certain to exercise a purchase option or an option to extend or terminate a lease.

A lease asset is initially measured at cost, which corresponds to the value of the lease liability less any prepayments of lease payments plus any directly related costs and estimated costs for dismantling, restoration or similar and less any discounts or other types of incentive payments from the lessor.

The lease asset is subsequently measured at cost less accumulated depreciation and impairment charges. The lease asset is depreciated over the shorter of the lease term and the useful life of the lease asset. Depreciation is recognised in profit or loss on a straight-line basis.

Notes

Note 1 Accounting policies – continued

The lease asset is adjusted for changes in the lease liability as a result of changes in the terms and conditions of the lease or changes in the contractual cash flows depending on changes in an index or an interest rate.

Lease assets are depreciated on a straight-line basis over the expected lease term of 4-13 years.

The Group presents lease assets and lease liabilities separately in the balance sheet.

The Group has elected not to recognise lease assets of a low value and short-term leases in the balance sheet. Instead lease payments concerning these leases are recognised in profit or loss on a straight-line basis.

Bonds and shares etc

Bonds and shares etc are recognised and measured at fair value. Similarly for shares outside the trading portfolio the fair value option is used and changes in value are recognised in profit or loss apart from certain strategic shareholdings which are measured at FVOCI.

Fair value is the amount for which a financial asset can be exchanged between knowledgeable, willing parties. In an active market, fair value is expressed by quoted prices. Alternatively it is expressed by a model value, based on recognised models and observable market data, which corresponds to fair value. The fair value of unlisted shares and other holdings is calculated on the basis of available information on trades and taking into account any shareholders' agreements etc. Alternatively it is calculated on the basis of a discounted value of expected cash flows.

Purchase and sale of securities are recognised on the settlement date.

Holdings in associates

Associates are entities in which the Group has holdings and significant influence but not control. Holdings in associates are recognised and measured according to the equity method. The proportionate share of the profit or loss after tax of the entities is recognised under "Profit/(Loss) on holdings in associates and subsidiaries".

Derivatives and hedge accounting

Derivatives are recognised and measured at fair value. Positive market values are recognised under "Other assets". Negative market values are recognised under "Other liabilities".

Market value adjustment of derivatives hedging the interest rate risk of fixed-rate loans and advances generates immediate asymmetry in the financial statements as fixed-rate loans and advances are measured at amortised cost. This asymmetry is eliminated by using the macro hedging rules of IAS 39 (fair value hedging) as dynamic hedging with daily updating. The calculated change in the fair value of the loans and advances effectively hedged is recognised in the balance sheet under "Other assets" or under "Other liabilities" and is recognised in the income statement under "Market value adjustments".

Pooled plans

All pooled assets and deposits are recognised in separate balance sheet items. Return on pooled assets and distribution to holders of pooled assets are recognised under "Market value adjustments". The assets in which holders' savings are placed are measured at fair value.

The portfolio of shares and bonds issued by the Group has been reduced in equity and bonds issued respectively. Consequently "Deposits in pooled plans" exceeds "Assets related to pooled plans".

Intangible assets

Intangible assets concern the value of customer relationships acquired in connection with acquisitions as well as goodwill.

The value of customer relationships acquired is measured at cost less accumulated amortisation and impairment charges. The value of customer relationships acquired is amortised over the expected useful life of 5-15 years.

Initial recognition of goodwill is at cost in the balance sheet. Subsequent measurement of goodwill is at cost less accumulated impairment charges. Goodwill is not amortised. Goodwill is tested for impairment annually and is written down to its recoverable amount through profit or loss if the carrying amount is higher. The recoverable amount is determined as the present value of the future net cash flows expected to be derived from the activity to which goodwill is related. The determination of cash-generating units follows the management structure and management control. Management assesses the lowest level of cash-generating units to which the carrying amount of goodwill may be allocated.

Impairment charges for goodwill are not reversed.

Note 1 Accounting policies – continued

Owner-occupied property

Owner-occupied property is property mainly used by the Group to operate its banking business.

Owner-occupied property is recognised on acquisition at cost and subsequently carried at a revalued amount corresponding to the fair value at the date of revaluation less depreciation and impairment charges. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.

Any decrease in the carrying amount as a result of the revaluation of owner-occupied property is charged to the income statement except where the decrease reverses previously recognised increases. Any increase as a result of the revaluation of owner-occupied property is recognised in other comprehensive income and transferred to revaluation reserves under equity except where an increase reverses previously recognised impairment charges as regards the property in question. Owner-occupied property is depreciated on a straight-line basis over the expected useful life of 50 years taking into account the expected residual value at the expiry of the useful life.

As regards ongoing measurement of land and buildings, the value of the individual property is measured on the basis of the return method. The underlying assumptions, return and rate of return are assessed by external valuers.

Depreciation and impairment charges are recognised in the income statement under "Depreciation and impairment of property, plant and equipment".

Other property, plant and equipment

Other property, plant and equipment consists primarily of IT equipment, furniture and fixtures and leasehold improvements and is measured at cost less depreciation and impairment charges. Depreciation is provided on a straight-line basis over the expected useful life, typically 3-5 years. Leasehold improvements are depreciated over the term of the lease. Depreciation and impairment charges are recognised in the income statement under "Depreciation and impairment of property, plant and equipment".

Other assets

This item includes assets not recognised under other asset items, eg positive market values of spot transactions and derivatives, cash collateral provided in connection with CSA agreements as well as interest receivable.

Dividend

Proposed dividend is recognised as a liability at the date of adoption by the AGM. Proposed dividend for the year is recognised as a separate item in equity until adoption.

AT1 capital

AT1 capital which has no maturity and with voluntary payment of interest and voluntary repayment of principal is recognised in equity. Similarly the interest expense related to the issue is recognised as dividend. Interest is deducted from equity at the time of payment.

Own shares

Consideration paid or received in connection with the Group's purchase and sale of Sydbank shares is recognised directly in equity.

Other liabilities

This item includes negative market values of spot transactions and derivatives, cash collateral received in connection with CSA agreements, negative portfolios in connection with reverse transactions, interest payable as well as provisions for employee benefits.

Negative portfolios in connection with reverse transactions arise when the Group resells assets received as collateral in connection with reverse transactions. The assets received are not recognised in the balance sheet and any resale will therefore result in a negative portfolio.

Wages and salaries, payroll tax, social security contributions as well as paid absences are recognised in the financial year in which the related service has been rendered by the Group's employees. Costs relating to the Group's long-term employee benefits are accrued and follow the service rendered by the employees in question. Pension contributions are paid into the employees' pension plans on a continuing basis and are charged to the income statement.

Employee shares

When the Group's employees are given an option to subscribe for shares at a price below the market price, the bonus element is recognised from the grant date as a cost under staff costs. The set-off is recognised directly in equity as an owner's transaction. The bonus element is expensed successively during the vesting period as the difference between the fair value and the subscription price of the shares subscribed or the subscription rights.

Notes

Note 1 Accounting policies – continued

Provisions

Provisions include provisions for guarantees, provisions for onerous contracts as well as legal actions etc. Initial recognition of financial guarantees is at fair value, which is often equal to the guarantee premium received. Subsequent measurement of guarantees is at the higher of the guarantee premium received amortised over the guarantee period and any provision for expected losses.

A provision for a guarantee or an onerous contract is recognised if claims for payment under the guarantee or contract are probable and the size of the liability can be measured reliably. Provisions are based on management's best estimates of the size of the liabilities. Measurement of provisions includes discounting when significant.

Financial liabilities

Deposits, bonds issued, subordinated capital and amounts owed to credit institutions etc are recognised initially at fair value less transaction costs incurred.

Subsequent measurement of deposits, bonds issued, subordinated capital and amounts owed to credit institutions etc that are not repo transactions is at amortised cost using the effective interest rate method whereby the difference between net proceeds and nominal value is recognised in the income statement under "Interest expense" over the loan period.

Other liabilities are measured at net realisable value.

Assets in temporary possession

Assets in temporary possession include property, plant and equipment and disposal groups held for sale, including assets or entities taken over in connection with non-performing exposures.

Assets are classified as being in temporary possession when their carrying amount will be recovered principally through a sale transaction within 12 months in accordance with a formal plan. Assets or disposal groups in temporary possession are measured at the lower of the carrying amount and fair value less costs to sell. Assets are not depreciated or amortised from the time when they are classified as being in temporary possession.

Impairment losses arising at initial classification as assets being in temporary possession and gains or losses at subsequent measurement at the lower of the carrying amount and fair value less costs to sell are recognised in the income statement under the items they concern.

Tax

The Bank is jointly taxed with its Danish consolidated entities. The Group has not opted for international joint taxation.

Sydbank A/S has been appointed the management company of the joint taxation entity. Corporation tax on income subject to joint taxation is fully distributed on payment of joint taxation contributions between the Danish consolidated entities. Tax for the year includes tax on taxable income for the year, adjustment of deferred tax, adjustment of prior year tax charges and tax on interest paid to holders of AT1 capital. Tax for the year is recognised in the income statement as regards the elements attributable to profit for the year, in other comprehensive income as regards the elements attributable thereto and directly in equity as regards the elements attributable to items recognised directly in equity.

Current tax liabilities and current tax assets are recognised in the balance sheet as calculated tax on taxable income for the year adjusted for tax on prior year taxable income as well as for tax paid on account.

Deferred tax is recognised on the basis of all temporary differences between the carrying amounts and the tax base of the balance sheets of each consolidated entity as well as tax loss carry forwards that are expected to be used. Deferred tax is measured on the basis of the tax rules and tax rates that, according to the rules in force at the balance sheet date, are applicable at the time the deferred tax is expected to crystallise as current tax.

Fair value measurement

The Group uses the concept of fair value in connection with certain disclosure requirements as well as for recognition and measurement of financial instruments. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Fair value is a market-based measurement, not an entity-specific measurement. The entity uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. As a result the entity's intention to hold an asset or to settle a liability is not considered when measuring fair value.

Fair value measurement is based on the principal market. If there is no principal market the most advantageous market is used as a basis, ie the market achieving the highest price for the asset or liability less transaction costs.

Note 1 Accounting policies – continued

Fair value measurement is based to the widest extent possible on market values in active markets or alternatively on values derived from observable market data.

In so far as such observations are not available or cannot be used without significant modifications, acknowledged valuation techniques and reasonable estimates are used as the basis of fair values.

Cash flow statement

The cash flow statement presents the cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and end of the year. The cash flow statement is presented using the indirect method based on profit before tax.

The cash flow effect of the acquisition and disposal of entities is reported separately under cash flows from investing activities. The cash flow statement recognises cash flows concerning entities acquired from the acquisition date and cash flows concerning entities disposed of until the transfer date.

Cash flows from operating activities are determined as profit before tax for the year adjusted for non-cash operating items, taxes paid as well as changes in working capital.

Cash flows from investing activities include purchase and sale of property, plant and equipment, intangible assets as well as holdings in associates.

Cash flows from financing activities include dividends paid as well as changes in equity, subordinated capital and bonds issued.

Cash and cash equivalents comprise cash and balances on demand at central banks, fully secured cash and cash equivalent balances on demand with credit institutions and insurance companies as well as unencumbered certificates of deposit.

Segment reporting

The Group consists of a number of business units and central functions. The segments are based on product and service characteristics and comprise Banking, Asset Management, Sydbank Markets, Treasury and Other. Further details of the business units are provided in note 5. The correlation between the income statement according to IFRS and the Group's performance measures is shown in note 6.

Segment reporting as regards the business units complies with the Group's accounting policies as regards recognition and measurement. 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.

The following performance measures are used in connection with the Group's management control, see segment information stated in note 5.

Core income

Core income comprises income from clients served by the Group's branch network, including interest, commission, investment fund commission, custody account fees and asset management fees.

Trading income

Trading income only comprises income from clients affiliated with Sydbank Markets as well as income from flows and market making as regards securities and other financial instruments as well as related position-taking.

Core earnings before impairment

Core earnings before impairment charges for loans and advances etc represent core income and trading income less costs relating to these activities.

Impairment of loans and advances etc

Impairment of loans and advances etc represents impairment charges for bank loans and advances, provisions for guarantees as well as credit valuation adjustment of derivatives.

Core earnings

Core earnings represent core income and trading income less costs and impairment charges for loans and advances etc relating to these activities.

Investment portfolio earnings

Investment portfolio earnings represent the return on the portfolios of shares, bonds, derivatives and holdings managed by Treasury, which is part of the business unit Sydbank Markets. Investment portfolio earnings are less funding charges and administrative costs.

Notes

Note 1 Accounting policies – continued

Forthcoming standards and interpretations

The International Accounting Standards Board (IASB) has issued the following new International Financial Reporting Standards (IFRS) and Interpretations (IFRIC), which are not mandatory for the Group in connection with the preparation of the 2020 financial statements. These include IFRS 17 as well as amendments to IFRS 3, IFRS 16, IAS 1, IAS 16 and IAS 37 and IBOR reform phase 2 (IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).

The Group does not plan to implement the new standards and interpretations until they become mandatory. New/amended standards and interpretations are not expected to have any significant impact on the Group's financial reporting.

Accounting policies of the parent

The financial statements of the parent are prepared in accordance with the Danish Financial Business Act and the Danish FSA's executive order on financial reporting of credit institutions. The financial statements of the parent are prepared according to the same accounting policies as the consolidated financial statements except for:

- strategic shareholdings where value adjustment is through profit or loss in the financial statements of the parent and through other comprehensive income in the consolidated financial statements. This difference is due to incompatibility between the Danish FSA's executive order on financial reporting of credit institutions and IFRS in this regard. The balance sheet and equity are not affected. For the impact on profit for the year, reference is made to note 46.

- the leasing of property from subsidiaries by the parent, which in accordance with the Danish FSA's executive order on financial reporting of credit institutions is not treated according to the principles of IFRS 16 but continues to be treated according to the principles of IAS 17. This is due to the fact that the properties are fully financed by the parent and therefore the application of IFRS 16 would result in double recognition of the properties in the balance sheet of the parent.

Subsidiaries are entities in which the parent has control. Holdings in subsidiaries are recognised and measured according to the equity method. The proportionate share of profit or loss after tax of the entities is recognised under "Profit/(Loss) on holdings in associates and subsidiaries".

Note 2 Accounting estimates and judgements

Management's estimates and judgements are based on assumptions considered reasonable by management but which by their nature are uncertain and unpredictable. These assumptions may be incomplete or inaccurate and unexpected future events or circumstances may occur. Consequently it is by nature difficult to make estimates and judgements and since they also involve customer relationships and other counterparties they will be subject to uncertainty. It may be necessary to change previous estimates as a result of changes in the basis of previous estimates or because of new knowledge or subsequent events.

The areas where critical estimates and judgements have the most significant effect on the financial statements are:

- Measurement of loans and advances and guarantees etc, including in particular management estimates concerning Covid-19
- Fair value of financial instruments
- Acquisitions.

Measurement of loans and advances and guarantees etc

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 December 2020 the probability of the downturn scenario was fixed at 95%. At 31 December 2019 the

probability of a downturn scenario was estimated at 50%. The increase in the probability of a downturn scenario from 50% to 95% has increased the calculated impairment charges as regards exposures in stages 1 and 2 by approx DKK 37m.

Impairment of exposures in stage 3 and the weak 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 there is a need for special impairment charges as regards exposed industries, customer segments or other elements that are estimated as having not yet been reflected in the Bank's registrations.

At 31 December 2019 collective impairment charges that can be attributed to stage 2 totalled DKK 225m, of which DKK 100m concerned management estimates to cover uncertainties related to agriculture.

At 31 December 2020 collective impairment charges included an impairment charge to cover losses as a result of the economic consequences of Covid-19. The impairment charge represents DKK 325m and is described in more detail below.

At 31 December 2020 the Group's unsecured loans and advances in the weakest rating categories 7-9 and default (excluding agriculture but including mink farming) amounted to DKK 580m. 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 22%.

Furthermore impairment charges include a management estimate of DKK 200m to cover unforeseen events as regards the remaining part of the lending portfolio in rating classes 1-6, the credit risk of which is satisfactory or normal.

Reference is made to the notes on risk management for a more detailed description of impairment charges for loans and advances. Loans and advances constitute 47% of the Group's assets at year-end 2020.

Provisions for guarantees and undrawn credit commitments issued in connection with client exposures are made according to the same principles as those applying to the impairment of loans and advances and involve the same elements of uncertainty.

Notes

Note 2 Accounting estimates and judgements – continued

Consequences of Covid-19

As part of the Group's risk management the potential economic consequences of Covid-19 are assessed as regards the Group's different areas of activity. The Group's risks concern mainly lending to businesses in exposed industries, weak corporate clients and small corporate clients. The Group's loans and advances to industries considered to be particularly exposed (sea and air transport, specialised retailers as well as hotels, restaurants and entertainment) totalled DKK 1.7bn at 31 December 2020, equivalent to 2.8% of total loans and advances of DKK 60.2bn.

Corporate clients that were weak (rating categories 7, 8, 9 and default) already before the coronavirus crisis will be even more challenged during times of crisis. Impairment charges are recorded on a regular basis on all clients subject to objective evidence of credit impairment and as a result these clients are given significant managerial focus. Loans and advances to weak corporate clients without objective evidence of credit impairment (excluding agriculture, but including mink farming) represent DKK 0.8bn before deduction of collateral received.

By experience the smallest businesses are often less robust in situations of economic downturn. Loans and advances to the smallest businesses – with a balance sheet total of less than DKK 5m – represented DKK 1.0bn at 31 December 2020, equivalent to 1.7% of total loans and advances of DKK 60.2bn.

Fair value of financial instruments

The Group measures a number of financial instruments at fair value, including all derivatives as well as shares and bonds.

Judgements are made in connection with the determination of the fair value of financial instruments in the following areas:

- Choice of valuation technique
- Determination of when available quoted prices do not represent fair value
- Calculation of fair value adjustments to take into account relevant risk factors such as credit risk, model risk and liquidity risk
- Assessment of which market parameters must be observed
- Estimate of future cash flows and required rates of return as regards unlisted shares.

Management estimates are based on an assessment in accordance with the Group's accounting policies and generally accepted valuation techniques.

As part of its operations the Group has acquired strategic holdings. Strategic holdings are measured at fair value on the basis of available information on trades in the relevant entity's holdings or alternatively a valuation model based on recognised methods and current market data, including a judgement of projected future earnings and cash flows. Valuation will also be influenced by co-ownership, trade and shareholders' agreements etc.

As regards financial instruments where measurement is only to a limited extent based on observable market data, measurement is affected by estimates. This is the case as regards for instance unlisted shares and certain bonds for which there is no active market. Measurement of illiquid bonds is affected by the assumption of the relevant credit spread.

Reference is made to "Accounting policies" (note 1) and to "Fair value disclosure" (note 39) for a more detailed description. Financial instruments measured on the basis of unobservable inputs represent DKK 2,092m, equivalent to 1.3% of the Group's assets at year-end 2020.

Acquisitions

In connection with the acquisition of Alm. Brand Bank the fair value of the assets acquired and liabilities assumed has been assessed in accordance with the rules.

The value of the customer relationships acquired (intangible asset) as well as loans and advances, loan commitments and guarantees are substantially based on estimates and calculations as there are no market prices for these assets.

As a result of the determination of fair values, the value of customer relationships as well as additional impairment charges for loans and advances etc have been recognised relative to the carrying amount of loans and advances with Alm. Brand Bank at the acquisition date.

Reference is made to note 47 for a specification of the assets acquired and liabilities assumed as well as additional information about the acquisition.

Apart from the usual uncertainty surrounding estimates the determination of fair values at the acquisition date has not presented any particular difficulties.



Notes

Note 3 Solvency

The Group uses the following methods and approaches to calculate solvency:

Credit risk outside trading portfolio, retail clients	Advanced IRB
Credit risk outside trading portfolio, corporate clients	Foundation IRB
Credit risk outside trading portfolio, financial counterparties	Standardised Approach
Counterparty risk	Mark-to-Market Method
Valuation of collateral	Financial Collateral Comprehensive Method
Market risk	Standardised Approach
Operational risk	Standardised Approach
Credit valuation adjustment	Standardised Approach

The Group's portfolio of equity investments primarily comprises strategic sector shares etc and in the Group's solvency calculation it is included under other exposures incl credit valuation adjustment.

Various types of collateral are used to mitigate the risk of the Group's lending portfolio. The most significant types of collateral comprise charges and guarantees.

Charges include deposit accounts and financial assets in the form of bonds and shares. The Group ensures that the items charged are separate from clients' right of disposal and that the charge is of legal validity. Valuation is ensured via the requirements of the Financial Collateral Comprehensive Method according to EU Regulation 575/2013 and Directive 2013/36/EU on requirements for credit institutions and investment firms (CRR/CRD IV) which reduces the value of collateral on the basis of issuer, maturity and liquidity.

The Group has concluded netting agreements with all significant counterparties.

DKKm	Sydbank Group	
	2020	2019
CET1 ratio	18.8	17.8
T1 capital ratio	20.4	19.4
Capital ratio	24.0	22.9
Total capital		
Equity, shareholders of Sydbank A/S	11,712	10,966
Minority shareholders	-	38
Prudent valuation	(85)	(72)
Actual or contingent obligations to purchase own shares	(10)	-
Proposed dividend	(248)	(352)
Intangible assets and capitalised deferred tax assets	(420)	(213)
Significant investments in financial sector	(882)	(704)
Transitional arrangement IFRS 9	118	144
CET1 capital	10,185	9,807
AT1 capital - equity	744	747
AT1 capital - debt	112	168
T1 capital	11,041	10,722
T2 capital	1,745	1,695
Difference between expected losses and impairment for accounting purposes	166	203
Total capital	12,952	12,620

Note 3 Solvency – continued

Sydbank Group

DKKm	2020	2019
Credit risk	33,355	35,747
Market risk	6,675	6,177
Operational risk	6,708	7,171
Other exposures incl CVA	7,302	6,065
REA	54,040	55,160
Pillar 1 capital requirements (8%)	4,323	4,413

Note 4 Leverage ratio

Sydbank Group

Sydbank A/S

	2020	2019	2020	2019
Leverage ratio exposures				
Total assets	165,800	147,738	168,823	149,953
Of which pooled assets	(19,773)	(19,042)	(19,773)	(19,042)
Correction derivatives etc	5,878	6,093	5,878	6,093
Guarantees etc	19,479	20,060	19,479	20,069
Undrawn credit commitments etc	10,449	10,685	10,465	10,700
Other adjustments	(1,313)	(745)	(1,256)	(730)
Total	180,521	164,789	183,615	167,043
T1 capital - current (transitional rules)	11,041	10,722	11,074	10,700
T1 capital - fully loaded	10,930	10,554	10,963	10,532
Leverage ratio (%) - current (transitional rules)	6.1	6.5	6.0	6.4
Leverage ratio (%) - fully loaded	6.1	6.4	6.0	6.3

Note 5 Segment reporting

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 decentral affiliation calculated on the basis of the market price thereof. The share represents the payment by Banking for Sydbank Markets' facilities, including advisory services and administration.

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

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

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

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

Notes

Note 5 Segment reporting – continued

Sydbank Group

DKKm	Banking	Asset Management	Sydbank Markets	Treasury	Other	Total
Operating segments 2020						
Core income	3,292	288	90	-	-	3,670
Trading income	-	-	278	-	-	278
Total income	3,292	288	368	-	-	3,948
Costs, core earnings	2,481	110	132	-	51	2,774
Impairment of loans and advances etc	47	-	-	-	-	47
Core earnings	764	178	236	-	(51)	1,127
Investment portfolio earnings	1	-	-	(32)	-	(31)
Profit before non-recurring items	765	178	236	(32)	(51)	1,096
Non-recurring items, net	(75)	-	-	-	-	(75)
Profit before tax	690	178	236	(32)	(51)	1,021
Depreciation and impairment of property, plant and equipment	101	2	5	-	1	109
Full-time staff at 31 Dec	2,121	44	96	4	21	2,286
Operating segments 2019						
Core income	3,306	269	80	-	-	3,655
Trading income	-	-	224	-	-	224
Total income	3,306	269	304	-	-	3,879
Costs, core earnings	2,452	100	150	-	81	2,783
Impairment of loans and advances etc	(97)	-	-	-	-	(97)
Core earnings	951	169	154	-	(81)	1,193
Investment portfolio earnings	1	-	-	(62)	-	(61)
Profit before non-recurring items	952	169	154	(62)	(81)	1,132
Non-recurring items, net	(51)	-	-	-	-	(51)
Profit before tax	901	169	154	(62)	(81)	1,081
Depreciation and impairment of property, plant and equipment	103	3	5	-	2	113
Full-time staff at 31 Dec	1,854	45	98	4	29	2,030

The Sydbank Group's internal reporting is not made on the basis of products and services. Reference is made to notes 7, 8 and 10 for the distribution of interest income as well as fee and commission income.

Note 5 Segment reporting – continued

Sydbank Group

DKKm	2020		2019	
	Total income	Assets	Total income	Assets
Geographical segments				
Denmark	3,771	1,816	3,697	1,544
Abroad	177	52	182	52
Total	3,948	1,868	3,879	1,596

Income from external clients is broken down by organisational affiliation within the Sydbank Group. Assets, comprising only intangible assets, land and buildings, other property, plant and equipment as well as holdings in associates, are broken down by location.

The geographical breakdown of the Group's income and assets is disclosed in compliance with IFRS and does not reflect the Group's management structure. Management is of the opinion that operating segmentation provides a more informative description of the Group's activities.

Note 6 Correlation between the Group's performance measures and the income statement according to IFRS Sydbank Group

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
2020								
Net interest and fee income	3,358	240			3,598	(41)		3,557
Market value adjustments	284	38		1	323	17		340
Other operating income	20				20			20
Income	3,662	278	-	1	3,941	(24)	-	3,917
Staff costs and administrative expenses			(2,642)		(2,642)	(7)	(75)	(2,724)
Amortisation and depreciation and impairment of intangible assets and property, plant and equipment			(109)		(109)			(109)
Other operating expenses			(23)		(23)			(23)
Impairment of loans and advances etc				(48)	(48)			(48)
Profit/(Loss) on holdings in associates and subsidiaries	8				8			8
Profit before tax	3,670	278	(2,774)	(47)	1,127	(31)	(75)	1,021
2019								
Net interest and fee income	3,338	201			3,539	63		3,602
Market value adjustments	283	23		7	313	(117)	30	226
Other operating income	28				28			28
Income	3,650	224	-	7	3,881	(54)	30	3,857
Staff costs and administrative expenses			(2,650)		(2,650)	(7)	(73)	(2,729)
Amortisation and depreciation and impairment of intangible assets and property, plant and equipment			(113)		(113)			(113)
Other operating expenses			(20)		(20)		(8)	(28)
Impairment of loans and advances etc				90	90			90
Profit/(Loss) on holdings in associates and subsidiaries	5				5			5
Profit before tax	3,655	224	(2,783)	97	1,193	(61)	(51)	1,081

Notes

Note 7 Interest income	Sydbank Group		Sydbank A/S		
	DKKm	2020	2019	2020	2019
Interest income calculated using the effective interest method					
Amounts owed by credit institutions and central banks		27	20	27	20
Loans and advances and other amounts owed		1,530	1,737	1,517	1,741
Other interest income		1	1	1	1
Interest on amounts owed to credit institutions*		6	-	6	-
Interest on deposits*		260	149	260	149
Total		1,824	1,907	1,811	1,911
Other interest income					
Repo transactions with credit institutions and central banks and repo deposits*		29	29	29	29
Bonds		119	178	116	178
Total derivatives		121	128	121	128
comprising:					
Foreign exchange contracts		(4)	59	(4)	59
Interest rate contracts		125	69	125	69
Other contracts		0	0	0	0
Total		269	335	266	335
Total interest income		2,093	2,242	2,077	2,246
* Negative interest expense					
Fair value, designated at initial recognition		29	29	29	29
Fair value, held for trading		240	306	237	306
Assets recognised at amortised cost		1,824	1,907	1,811	1,911
Total		2,093	2,242	2,077	2,246

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" (note 5) as well as in the Group's financial review, which also takes funding of the positions into account.

Note 8 Interest expense	Sydbank Group		Sydbank A/S		
	DKKm	2020	2019	2020	2019
Reverse transactions with credit institutions and central banks and reverse loans and advances*		106	90	106	90
Amounts owed to credit institutions and central banks		9	22	8	22
Deposits and other debt		112	185	109	184
Bonds*		9	13	9	13
Bonds issued		111	105	111	105
Interest on amounts owed by credit institutions and central banks*		86	77	86	77
Subordinated capital		26	30	26	30
Other interest expense		3	14	3	14
Total		462	536	458	535
* Negative interest income					
Fair value, designated at initial recognition		106	90	106	90
Fair value, held for trading		9	13	9	13
Liabilities recognised at amortised cost		347	433	343	432
Total		462	536	458	535
Note 9 Dividends on shares					
Fair value, designated at initial recognition (FVPL)		25	31	25	31
Fair value, held for trading		-	-	5	4
Total		25	31	30	35

Notes

Note 10 Fee and commission income

DKKm	Sydbank Group		Sydbank A/S	
	2020	2019	2020	2019
Securities trading and custody accounts	774	711	611	563
Advisory fee, asset management	307	303	307	303
Payment services	273	312	273	312
Loan fees	198	201	198	201
Guarantee commission	146	135	146	135
Income concerning funded mortgage-like loans	117	149	117	149
Other fees and commission	393	395	393	395
Total fee and commission income	2,208	2,206	2,045	2,058
Fee expense, asset management	11	11	11	11
Other fee and commission expense	296	330	256	274
Total fee and commission expense	307	341	267	285
Net fee and commission income	1,901	1,865	1,778	1,773

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 1.3m (2019: DKK 1.7m) and has been deducted from commission received which is included under other fees and commission.

Note 11 Market value adjustments

Other loans and advances and amounts owed at fair value	1	0	1	0
Bonds	(21)	(82)	(19)	(82)
Shares etc	142	188	148	198
Foreign exchange	166	148	166	148
Derivatives	52	(28)	52	(28)
Assets related to pooled plans	300	1,616	300	1,616
Deposits in pooled plans	(300)	(1,616)	(300)	(1,616)
Other assets/liabilities	0	0	0	0
Total	340	226	348	236
Fair value, held for trading, trading portfolio	224	80	224	80
Fair value, designated at initial recognition, equity investments (FVPL)	116	146	124	156
Total	340	226	348	236

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" (note 5) as well as in the Group's financial review, which also takes funding of the positions into account.

Note 12 Other operating income

Rental income – real property	12	12	12	12
Other operating income	8	16	9	17
Total	20	28	21	29



Notes

Note 13 Staff costs and administrative expenses	Sydbank Group		Sydbank A/S		
	DKKm	2020	2019	2020	2019
Salaries and remuneration					
Group Executive Management		18	26	18	26
Board of Directors		6	6	6	6
Shareholders' Committee		4	4	4	4
Total		28	36	28	36
Staff costs					
Wages and salaries		1,265	1,310	1,206	1,294
Pensions		128	130	122	128
Social security contributions		14	17	14	16
Payroll tax		169	172	161	170
Total		1,576	1,629	1,503	1,608
Other administrative expenses					
IT		841	751	819	733
Rent etc		100	115	111	127
Marketing and entertainment expenses		68	81	58	68
Other costs		111	117	113	94
Total		1,120	1,064	1,101	1,022
Total		2,724	2,729	2,632	2,666
Audit fees					
Statutory audit		6	3	6	3
Other assurance engagements		1	1	1	1
Tax consultancy		0	0	0	0
Fees for other services		1	0	1	0
Total		8	4	8	4
<p>In addition to the statutory audit, services provided by the Bank's independent auditor have comprised reports and other audit services in connection with bond issues.</p> <p>In addition to fees paid to the independent auditor, operating expenses have been incurred as regards the Group's Internal Audit.</p>					
Staff					
Average number of staff (full-time equivalent)		2,047	2,107	1,977	2,087

Note 13 Staff costs and administrative expenses – continued

Sydbank Group

DKK thousand	2020			2019
	Directors' remuneration	Committee fees	Total	Total
Directors' remuneration				
Lars Mikkjelgaard-Jensen (Chairman as of 17 September 2019)	1,063	170	1,233	646
Jacob Chr. Nielsen (Vice-Chairman as of 17 September 2019)	620	179	799	519
Torben Nielsen (resigned as of 17 September 2019 - former Chairman)	-	-	-	1,012
John Lesbo (resigned as of 17 September 2019 - former Vice-Chairman)	-	-	-	696
Carsten Andersen	354	78	432	347
Henrik Hoffmann (member as of 28 January 2020)	325	104	429	-
Søren Holm (member as of 28 January 2020)	325	104	429	-
Jørgen Høholt (member as of 21 March 2019/ resigned as of 17 September 2019)	-	-	-	225
Frank Møller Nielsen (resigned as of 17 September 2019)	-	-	-	400
Kim Holmer	354	45	399	347
Janne Moltke-Leth	354	181	535	490
Jarl Oxlund	354	45	399	362
Gitte Poulsen (member as of 31 October 2019)	354	121	475	58
Susanne Schou	354	111	465	347
Jon Stefansson (member as of 31 October 2019)	354	121	475	58
Jørn Krogh Sørensen	354	57	411	390
Total	5,165	1,316	6,481	5,897
Of which committee fees				
Audit Committee – of which fee to the chairman of DKK 138,000			397	384
Risk Committee – of which fee to the chairman of DKK 104,000			338	253
Remuneration Committee – of which fee to the chairman of DKK 58,000			158	155
Nomination Committee – of which fee to the chairman of DKK 89,000			244	304
Digitization Committee – of which fee to the chairman of DKK 45,000*			179	-

* Fees have not previously been paid to the members of the Digitization Committee but a decision has been made to pay fees as from Q3 2020.

Sydbank's Board of Directors receive fixed remuneration. In addition board committee members receive a fixed committee fee. Directors' remuneration is adjusted in accordance with the adjustment of the collective agreement concluded between the Employers' Association for the Financial Sector and the Financial Services Union in Denmark.

Notes

Note 13 Staff costs and administrative expenses – continued

Sydbank Group

DKKm	Karen Frøsig	Henning Dam	Bjarne Larsen	Jørn Adam Møller	Jan Svarre
Remuneration of the Group Executive Management					
2020					
Fixed remuneration	7.0	2.6	5.2	3.1	-
Variable remuneration	-	-	-	0.1	-
Benefits by way of company car etc	0.3	0.2	0.2	0.2	-
Of which fees received in connection with directorships	(0.3)	(0.1)	(0.1)	0.0	-
Group costs	7.0	2.7	5.3	3.4	-
		Member as of 1 Apr 2020		Member as of 25 Oct 2019	Dismissed as of 25 Oct 2019
2019					
Fixed remuneration	6.9	-	5.1	0.5	4.4
Benefits by way of company car etc	0.3	-	0.3	0.0	0.3
Remuneration during severance period etc	-	-	-	-	10.0
Of which fees received in connection with directorships	(0.3)	-	(0.1)	0.0	(0.2)
Group costs	6.9	-	5.3	0.5	14.5

The Group Executive Management only receives variable remuneration below the minimum threshold, cf the Danish executive order on remuneration. In connection with the annual review of the remuneration of the Group Executive Management an assessment of the market level is made. Moreover the remuneration of the Group Executive Management is adjusted in accordance with the adjustment of the collective agreement concluded between the Employers' Association for the Financial Sector and the Financial Services Union in Denmark.

Group Executive Management – severance terms

Karen Frøsig, Henning Dam, Bjarne Larsen and Jørn Adam Møller

The notice of termination is 6 and 12 months for the Group Executive Management member and the Bank respectively. In respect of dismissal by the Bank, the Group Executive Management member is entitled to receive severance pay equal to 12 months' salary.

Further details about the Bank's remuneration policy are available at the Bank's website sydbank.dk/omsydbank/organisation/loenpolitik (in Danish only).

DKKm	Sydbank Group		Sydbank A/S	
	2020	2019	2020	2019
Remuneration to material risk takers				
Fixed remuneration	35.8	34.2	34.0	32.3
Variable remuneration	0.3	0.1	0.3	0.1
Total	36.1	34.3	34.3	32.4
Number of full-time staff (average)	24.3	23.5	23.3	22.5
Remuneration to material control functions				
Fixed remuneration	13.6	12.3	13.6	12.3
Variable remuneration	0.0	0.0	0.0	0.0
Total	13.6	12.3	13.6	12.3
Number of full-time staff (average)	10.5	10.5	10.5	10.5

Material risk takers and control functions only receive variable remuneration below the minimum threshold, cf the Danish executive order on remuneration.

In addition to the above material risk takers and control functions receive benefits by way of company car and telephone etc, cf the Group's remuneration policy.

Note 14 Impairment of loans and advances etc

DKKm	Sydbank Group		Sydbank A/S	
	2020	2019	2020	2019
Impairment of loans and advances recognised in the income statement				
Impairment and provisions	(21)	(110)	(21)	(110)
Write-offs	189	134	189	134
Recovered from debt previously written off	120	114	120	114
Impairment of loans and advances etc	48	(90)	48	(90)
Impairment and provisions at 31 Dec (allowance account)				
Stage 1	374	131	374	131
Stage 2	493	745	493	745
Stage 3	1,037	1,268	1,194	1,425
Management estimates	325	100	325	100
Impairment and provisions at 31 Dec	2,229	2,244	2,386	2,401
Impairment and provisions				
Impairment and provisions at 1 Jan	2,244	2,924	2,401	2,924
New impairment charges and provisions during the period, net	24	(59)	24	(59)
Additions concerning portfolio acquired	200	-	200	-
Impairment charges previously recorded, now finally written off	239	464	239	464
Adjustment concerning subsidiary	-	(157)	-	-
Impairment and provisions at 31 Dec	2,229	2,244	2,386	2,401
Impairment charges for loans and advances	2,049	2,062	2,206	2,219
Provisions for undrawn credit commitments	55	42	55	42
Provisions for guarantees*	125	140	125	140
Impairment and provisions at 31 Dec	2,229	2,244	2,386	2,401

* Provision for guarantees as regards the portfolio acquired from Alm. Brand Bank, which is recognised as credit impaired at initial recognition, totals DKK 36m.

Losses recognised for the year where a legal claim has been upheld represent DKK 440m at year-end 2020 (2019: DKK 451m).

Notes

Note 15 Profit/(Loss) on holdings in associates and subsidiaries

DKKm	Sydbank Group		Sydbank A/S	
	2020	2019	2020	2019
Profit/(Loss) on holdings in associates etc	8	5	8	5
Profit/(loss) on holdings in subsidiaries	-	-	3	(5)
Total	8	5	11	0

Note 16 Tax

Tax calculated on income for the year	190	195	178	193
Deferred tax	28	28	17	20
Adjustment of prior year tax charges	4	5	4	5
Total	222	228	199	218

Effective tax rate

Current tax rate of Sydbank	22.0	22.0	22.0	22.0
Permanent differences	(0.7)	(1.4)	(2.5)	(2.3)
Adjustment of prior year tax charges	0.4	0.5	0.4	0.5
Effective tax rate	21.7	21.1	19.9	20.2
Of which effective tax rate in Germany	30.4	34.6	30.4	34.6

Deferred tax

Deferred tax at 1 Jan	258	230	275	255
Deferred tax for the year recognised in profit for the year	28	28	17	20
Deferred tax for the year recognised directly in equity	0	0	0	0
Deferred tax at 31 Dec, net	286	258	292	275

Deferred tax assets	20	33	14	15
Deferred tax liabilities	306	291	306	290
Deferred tax at 31 Dec, net	286	258	292	275

Note 16 Tax – continued

Sydbank Group

DKKm	2020				2019			
	1 Jan	Recognised in profit for the year	Recognised directly in equity	31 Dec	1 Jan	Recognised in profit for the year	Recognised directly in equity	31 Dec
Breakdown of deferred tax								
Loans and advances at amortised cost (incl IFRS 9 adjustment)	252	25	-	277	231	21	-	252
Shares	0	0	-	0	4	(4)	-	0
Land and buildings	2	0	-	2	3	(1)	-	2
Property, plant and equipment	(20)	(3)	-	(23)	(21)	1	-	(20)
Intangible assets	45	19	-	64	34	11	-	45
Other assets	29	(12)	-	17	30	(1)	-	29
Provisions	(1)	0	-	(1)	(1)	0	-	(1)
Other liabilities	(27)	2	-	(25)	(26)	(1)	-	(27)
Capitalised losses, jointly taxed income	(20)	(2)	-	(22)	(22)	2	-	(20)
AT1 capital	(2)	(1)	0	(3)	(2)	-	0	(2)
Deferred tax at 31 Dec, net	258	28	0	286	230	28	0	258

Note 17 Amounts owed by credit institutions and central banks

Sydbank Group

Sydbank A/S

DKKm	2020		2019	
Amounts owed at notice by central banks	10,288	4,266	10,288	4,266
Amounts owed by credit institutions	4,140	4,597	4,140	4,597
Total	14,428	8,863	14,428	8,863
On demand	11,323	2,474	11,323	2,474
3 months or less	3,105	6,389	3,105	6,389
Total	14,428	8,863	14,428	8,863
Of which reverse transactions	2,835	3,062	2,835	3,062

Notes

Note 18 Loans and advances

DKKm	Sydbank Group		Sydbank A/S	
	2020	2019	2020	2019
On demand	13,434	15,346	14,458	15,629
3 months or less	19,526	13,807	19,526	13,807
Over 3 months not exceeding 1 year	21,068	23,651	21,244	23,651
Over 1 year not exceeding 5 years	14,743	12,334	14,743	12,510
Over 5 years	9,419	8,018	9,419	8,018
Total	78,190	73,156	79,390	73,615
Loans and advances at fair value – reverse transactions	17,961	12,602	17,961	12,602
Loans and advances at amortised cost – bank loans and advances	60,229	60,554	61,429	61,013
Total	78,190	73,156	79,390	73,615

Loans and advances and guarantee debtors by sector and industry (%)

Agriculture, hunting, forestry and fisheries	3.4	3.9	3.5	3.9
Manufacturing and extraction of raw materials	9.4	10.9	9.3	10.8
Energy supply etc	3.0	2.8	3.0	2.8
Building and construction	4.6	4.4	4.5	4.4
Trade	11.8	14.3	12.1	14.5
Transportation, hotels and restaurants	3.0	3.5	3.0	3.5
Information and communication	0.7	0.5	0.7	0.5
Finance and insurance	24.3	20.0	24.3	20.1
Real property	5.7	5.4	5.7	5.4
Other industries	3.7	4.0	3.7	4.0
Total corporate	69.6	69.7	69.8	69.9
Public authorities	0.1	0.3	0.1	0.3
Retail	30.3	30.0	30.1	29.8
Total	100.0	100.0	100.0	100.0

Collateral received and types of collateral

Loans and advances at fair value	17,961	12,602	17,961	12,602
Loans and advances at amortised cost	60,229	60,554	61,429	61,013
Guarantees	19,477	20,060	19,477	20,069
Credit exposure for accounting purposes	97,667	93,216	98,867	93,684
Collateral value	65,900	56,179	65,900	56,179
Total unsecured	31,767	37,037	32,967	37,505

Types of collateral

Real property	10,906	8,386	10,906	8,386
Financial collateral	23,207	17,776	23,207	17,776
Lease assets, mortgages etc	9,283	7,038	9,283	7,038
Floating charges, operating equipment etc	8,132	7,402	8,132	7,402
Guarantees	1,286	985	1,286	985
Other items of collateral	560	446	560	446
Total collateral used	53,374	42,033	53,374	42,033
Particularly secured transactions (mortgage guarantees)	12,526	14,146	12,526	14,146
Total	65,900	56,179	65,900	56,179

In the event that the Group uses collateral that is not immediately convertible into liquid holdings, it is the Group's policy to dispose of such assets as quickly as possible. Real property is handed over to an estate agent. Repossessed leased equipment is sold as quickly as possible. In 2020 repossessed equipment in connection with non-performing exposures amounted to DKK 21m (2019: DKK 24m). Lease assets are assessed and depreciated on an ongoing basis. As a result the calculated collateral as regards the Group's leasing activities will decline during periods of lower lease asset prices. As regards acquired entities reference is made to note 47.

Note 18 Loans and advances – continued

Sydbank Group

DKKm	2020				2019			
	Loans/ advances	Guaran- tees	Collateral value	Un- secured	Loans/ advances	Guaran- tees	Collateral value	Un- secured
Collateral by rating category								
Rating category								
1	7,630	6,451	13,325	756	6,783	8,301	13,083	2,001
2	22,364	3,487	13,987	11,864	18,804	4,004	13,287	9,521
3	16,812	3,189	10,111	9,890	21,155	3,617	11,328	13,444
4	15,639	1,218	11,859	4,998	13,482	1,579	10,122	4,939
5	6,057	751	4,653	2,155	5,105	1,059	3,186	2,978
6	1,827	301	1,265	863	3,066	394	1,877	1,583
7	578	63	268	373	747	145	448	444
8	394	55	231	218	469	66	191	344
9	2,765	315	1,547	1,533	3,202	346	1,498	2,050
Default	615	71	310	376	1,025	76	403	698
NR/STD*	5,558	3,576	8,344	790	1,380	473	756	1,097
Total	80,239	19,477	65,900	33,816	75,218	20,060	56,179	39,099
Impairment of loans and advances	2,049	-	-	2,049	2,062	-	-	2,062
Total	78,190	19,477	65,900	31,767	73,156	20,060	56,179	37,037
Stage 1	74,116	18,692	62,822	29,986	68,453	19,151	52,892	34,712
Stage 2	2,801	518	2,134	1,185	3,680	737	2,415	2,002
Stage 3	972	184	944	212	1,023	172	872	323
Credit impaired at initial recognition	301	83	-	384	-	-	-	-
Total	78,190	19,477	65,900	31,767	73,156	20,060	56,179	37,037

* The portfolio acquired from Alm. Brand Bank is included in STD.

In addition to loans and advances and guarantees the Group's credit risks comprise credit commitments. For further details of guarantees and irrevocable credit commitments see note 35.

Sydbank Group

DKKm	2020			2019		
	Retail	Corporate	Total	Retail	Corporate	Total
Past due amounts but not credit impaired*						
0-30 days	35	84	119	38	107	145
31-60 days	0	1	1	2	1	3
61-90 days	-	-	-	-	-	-
Total	35	85	120	40	108	148
Rating category						
1	11	0	11	4	0	4
2	5	27	32	4	9	13
3	10	31	41	1	27	28
4	4	11	15	0	15	15
5	3	7	10	2	34	36
6	1	3	4	2	4	6
7	0	1	1	0	5	5
8	0	0	0	12	2	14
9	0	5	5	8	12	20
NR/STD	1	0	1	7	0	7
Total	35	85	120	40	108	148

* Past due amounts concerning loans and advances etc not subject to individual impairment. Loans and advances and amounts owed payable beyond 90 days are treated as credit impaired.

As shown above a limited share of past due amounts concerns high credit risk clients.

Notes

Note 18 Loans and advances – continued

Sydbank Group

DKKm					2020	2019
	Stage 1	Stage 2	Stage 3	Credit impaired at initial recognition	Total	Total
Loans and advances, guarantees and allowance account by stage						
Loans and advances before impairment charges	56,621	3,440	1,916	301	62,278	62,616
Guarantees*	18,692	518	184	83	19,477	20,060
Total loans and advances and guarantees	75,313	3,958	2,100	384	81,755	82,676
%	92.1	4.8	2.6	0.5	100.0	100.0
Impairment charges and provisions						
Impairment charges for loans and advances	466	639	944		2,049	2,062
Provisions for undrawn credit commitments	32	17	6		55	42
Provisions for guarantees*	14	24	87		125	140
Total allowance account	512	680	1,037	-	2,229	2,244
Allowance account movements						
Allowance account at 1 Jan	131	845	1,268		2,244	2,924
New impairment charges and provisions during the period, net	181	(165)	8		24	(59)
Additions concerning portfolio acquired	200				200	-
Impairment charges previously recorded, now finally written off			(239)		(239)	(464)
Of which at 31 Dec concerning subsidiary					-	(157)
Total allowance account at 31 Dec	512	680	1,037	-	2,229	2,244
Impairment charges and provisions as % of loans and advances and guarantees						
Impairment charges as % of loans and advances	0.8	18.6	49.3		3.3	3.3
Provisions as % of guarantees	0.1	4.6	47.3		0.6	0.7
Allowance account as % of loans and advances and guarantees	0.7	17.2	49.4	-	2.7	2.7
Loans and advances after impairment charges						
Loans and advances before impairment charges	56,621	3,440	1,916	301	62,278	62,616
Impairment charges for loans and advances	466	639	944	-	2,049	2,062
Loans and advances after impairment charges	56,155	2,801	972	301	60,229	60,554
%	93.2	4.7	1.6	0.5	100.0	100.0

* Provision for guarantees as regards the portfolio acquired from Alm. Brand Bank, which is recognised as credit impaired at initial recognition, totals DKK 36m.

The Group's models to calculate ECL as regards 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. See note 2 "Accounting estimates and judgements" pp 65-66 for a more detailed description.

In addition to individually calculated impairment charges, a management estimate of DKK 325m was recognised at year-end 2020 (2019: DKK 225m) to cover the consequences of the Covid-19 outbreak on the Group's lending portfolio, of which DKK 125m has been provided for to cover exposures in rating categories 7-9. The remaining DKK 200m has been reserved to cover unforeseen events as regards the remaining part of the lending portfolio, the credit risk of which is satisfactory or normal.

Note 18 Loans and advances – continued

Sydbank Group

DKKm	Allowance account		Impairment of loans and advances etc	
	2020	2019	2020	2019
Industry breakdown of the Group's allowance account and impairment of loans and advances etc recognised in the income statement				
Industry				
Agriculture, hunting, forestry and fisheries	413	666	(219)	78
Manufacturing and extraction of raw materials	317	235	118	3
Energy supply etc	18	6	11	(5)
Building and construction	133	91	40	3
Trade	397	340	131	102
Transportation, hotels and restaurants	74	63	12	(1)
Information and communication	6	11	(5)	3
Finance and insurance	85	66	(2)	4
Real property	152	154	(35)	(66)
Other industries	112	98	75	(33)
Total corporate	1,707	1,730	126	88
Public authorities	0	1	0	0
Retail	522	513	(78)	(178)
Total	2,229	2,244	48	(90)

Notes

Note 18 Loans and advances – continued

Sydbank Group

DKKkm					2020	2019
	Stage 1	Stage 2	Stage 3	Credit impaired at initial recognition	Total	Total
Loans and advances before impairment charges						
Rating category						
1	5,298	1			5,299	5,595
2	16,564	1			16,565	13,752
3	16,015	18			16,033	20,010
4	7,989	7			7,996	8,326
5	4,033	615			4,648	5,105
6	1,382	445			1,827	3,005
7	132	446			578	747
8		394			394	469
9		1,479	1,286		2,765	3,202
Default			615		615	1,025
NR/STD	5,208	34	15	301	5,558	1,380
Collective impairment charges					-	-
Total	56,621	3,440	1,916	301	62,278	62,616

Impairment of loans and advances

Rating category						
1	1				1	
2	67				67	17
3	38	1			39	16
4	71				71	24
5	37	37			74	27
6	20	32			52	37
7	7	95			102	28
8		95			95	25
9		373	592		965	1,074
Default			343		343	563
NR/STD	225	6	9		240	26
Collective impairment charges*					-	225
Total	466	639	944	-	2,049	2,062

Loans and advances after impairment charges

Rating category						
1	5,297	1			5,298	5,595
2	16,497	1			16,498	13,735
3	15,977	17			15,994	19,994
4	7,918	7			7,925	8,302
5	3,996	578			4,574	5,078
6	1,362	413			1,775	2,968
7	125	351			476	719
8		299			299	444
9		1,106	694		1,800	2,128
Default			272		272	462
NR/STD	4,983	28	6	301	5,318	1,354
Collective impairment charges*					-	(225)
Total	56,155	2,801	972	301	60,229	60,554

* For 2020 collective impairment charges are broken down by rating category and stage.

Note 18 Loans and advances – continued

Sydbank Group

DKKm				Credit impaired at initial recognition	2020	2019
	Stage 1	Stage 2	Stage 3		Total	Total
Loans and advances before impairment charges						
1 Jan	55,955	4,470	2,191		62,616	63,691
Transfers between stages						
Additions concerning portfolio acquired	4,005			301	4,306	
Transferred to stage 1	1,189	(1,093)	(96)			
Transferred to stage 2	(1,263)	1,437	(174)			
Transferred to stage 3	(195)	(483)	678			
New exposures	13,491	444	351		14,286	15,472
Redeemed exposures	(11,177)	(930)	(192)		(12,299)	(12,947)
Changes in balances	(5,384)	(405)	(414)		(6,203)	(2,581)
Write-offs			(428)		(428)	(598)
Acquisition of entity						(421)
31 Dec	56,621	3,440	1,916	301	62,278	62,616
Impairment of loans and advances						
1 Jan	104	790	1,168		2,062	2,708
Transfers between stages						
Additions concerning portfolio acquired	191				191	
Transferred to stage 1	230	(186)	(44)			
Transferred to stage 2	(4)	82	(78)			
Transferred to stage 3	(1)	(120)	121			
New exposures	78	116	179		373	207
Redeemed exposures	(25)	(125)	(112)		(262)	(266)
Changes in balances	(107)	82	(54)		(79)	34
Write-offs			(236)		(236)	(464)
Acquisition of entity					-	(157)
31 Dec	466	639	944		2,049	2,062
Loans and advances after impairment charges						
1 Jan	55,851	3,680	1,023		60,554	60,983
Transfers between stages						
Additions concerning portfolio acquired	3,814			301	4,115	
Transferred to stage 1	959	(907)	(52)			
Transferred to stage 2	(1,259)	1,355	(96)			
Transferred to stage 3	(194)	(363)	557			
New exposures	13,413	328	172		13,913	15,265
Redeemed exposures	(11,152)	(805)	(80)		(12,037)	(12,681)
Changes in balances	(5,277)	(487)	(360)		(6,124)	(2,615)
Write-offs			(192)		(192)	(134)
Acquisition of entity					-	(264)
31 Dec	56,155	2,801	972	301	60,229	60,554

Notes

Note 18 Loans and advances – continued

Sydbank Group

DKKm	2020				2019			
	Loans/advances neither credit impaired nor past due	Loans/advances with evidence of credit impairment	Past due loans/advances	Loans/advances	Loans/advances neither credit impaired nor past due	Loans/advances with evidence of credit impairment	Past due loans/advances	Loans/advances
Rating category								
1	7,619		11	7,630	6,779		4	6,783
2	22,332		32	22,364	18,791		13	18,804
3	16,771		41	16,812	21,127		28	21,155
4	15,624		15	15,639	13,467		15	13,482
5	6,047		10	6,057	5,069		36	5,105
6	1,823		4	1,827	3,060		6	3,066
7	577		1	578	742		5	747
8	394		0	394	455		14	469
9	31	2,729	5	2,765	33	3,149	20	3,202
Default	0	615	0	615	0	1,025	0	1,025
NR/STD	5,223	334	1	5,558	1,347	26	7	1,380
	76,441	3,678	120	80,239	70,870	4,200	148	75,218
Impairment charges	600	1,449		2,049	434	1,628		2,062
Total	75,841	2,229	120	78,190	70,436	2,572	148	73,156

Sydbank Group

DKKm	2020			2019		
	Gross investment	Unearned interest	Net investment	Gross investment	Unearned interest	Net investment
Lease payment receivables - finance leases						
1 year or less	2,089	72	2,017	1,942	84	1,858
Over 1 year not exceeding 5 years	4,186	150	4,036	4,121	153	3,968
Over 5 years	490	10	480	508	13	495
Total	6,765	232	6,533	6,571	250	6,321

Lease payment receivables comprise receivables on leasing of various operating equipment under non-cancellable leases. The leases are fixed-rate and floating-rate leases in foreign and Danish currencies.

Loans and advances at amortised cost include finance lease payment receivables of DKK 6,533m at year-end 2020 (2019: DKK 6,321m). Impairment charges for uncollectible lease payment receivables represent DKK 0m for 2020 (2019: DKK 0m).

Note 18 Loans and advances – continued

Sydbank Group

DKKm	2020			2019		
	Loans/ advances and guarantees before impair- ment charges	Impairment charges	Book value	Loans/ advances and guarantees before impair- ment charges	Impairment charges	Book value
Forborne loans and advances and guarantees						
Stage 1	0	0	0	59	6	53
Stage 2	86	24	62	187	43	144
Stage 3	916	378	538	984	502	482
Total	1,002	402	600	1,230	551	679
Credit impaired non-defaulted loans and advances and guarantees						
	513	161	352	475	169	306
Credit impaired defaulted loans and advances and guarantees						
	489	241	248	755	382	373
Total	1,002	402	600	1,230	551	679
Due to financial difficulties:						
- Interest rates have been reduced	432	179	253	753	381	372
- Interest-only terms have been granted	243	87	156	387	126	261
- Other special terms have been granted	327	136	191	90	44	46
Total	1,002	402	600	1,230	551	679

Forborne loans and advances and guarantees are defined as loans and advances and guarantees where:

- there has been a change in loan terms that would not have been granted if the borrower had not been experiencing financial difficulties, see EBA guidance (ANNEX V).

Sydbank Group

DKKm	Credit impaired loans/advances	Impairment charges	Carrying amount	Value of collateral	Unsecured part of carrying amount
2020					
Credit impaired loans and advances					
Corporate	1,949	809	1,140	837	303
Retail	268	135	133	110	23
Total	2,217	944	1,273	947	326
2019					
Credit impaired loans and advances					
Corporate	1,939	986	953	776	177
Retail	252	182	70	99	(29)
Total	2,191	1,168	1,023	875	148

Notes

Note 19 Bonds at fair value DKKm	Sydbank Group		Sydbank A/S	
	2020	2019	2020	2019
Government bonds	286	450	286	450
Mortgage bonds	34,366	31,032	34,366	31,032
Other bonds	2,290	875	2,290	875
Total	36,942	32,357	36,942	32,357

Government bonds - by country

Denmark	286	450	286	450
Total	286	450	286	450

Note 20 Shares etc

Listed on på Nasdaq Copenhagen A/S	296	301	296	301
Listed on other exchanges	2	4	2	4
Unlisted shares recognised at fair value	2,111	1,906	2,111	1,906
Total	2,409	2,211	2,409	2,211

Trading portfolio	147	159	147	159
Portfolio of equity investments, FVPL	2,117	1,887	2,117	1,887
Portfolio of equity investments, FVOCI	145	165	145	165
Total	2,409	2,211	2,409	2,211

Note 21 Holdings in associates etc

Carrying amount at 1 Jan	147	152	147	152
Of which credit institutions	-	-	-	-

Cost at 1 Jan	143	148	143	148
Exchange rate adjustment	-	0	-	0
Additions	29	8	29	8
Disposals	-	13	-	13
Cost at 31 Dec	172	143	172	143

Revaluations and impairment charges at 1 Jan	4	4	4	4
Dividend	(11)	(5)	(11)	(5)
Share of profit	8	5	8	5
Reversal of revaluations and impairment charges	-	-	-	-
Revaluations and impairment charges at 31 Dec	1	4	1	4
Carrying amount at 31 Dec	173	147	173	147

Note 22 Holdings in subsidiaries etc

Sydbank A/S

DKKm	2020	2019
Carrying amount at 1 Jan	2,362	2,408
Cost at 1 Jan	2,761	2,782
Exchange rate adjustment	13	14
Additions	2,108	-
Disposals	428	35
Cost at 31 Dec	4,454	2,761
Revaluations and impairment charges at 1 Jan	(399)	(374)
Exchange rate adjustment	1	(6)
Profit/(Loss)	3	(5)
Dividend	(809)	(7)
Other capital movements	175	(7)
Revaluations and impairment charges at 31 Dec	(1,029)	(399)
Carrying amount at 31 Dec	3,425	2,362

Note 23 Assets related to pooled plans

Sydbank Group

Sydbank A/S

DKKm	2020	2019	2020	2019
Cash deposits	364	793	364	793
Indexed bonds	30	0	30	0
Other bonds	10,566	10,899	10,566	10,899
Other shares etc	8,094	7,347	8,094	7,347
Units	691	0	691	0
Other items	28	3	28	3
Total	19,773	19,042	19,773	19,042

Notes

Note 24 Intangible assets

Intangible assets

The Group's intangible assets comprise the value of customer relationships as well as goodwill acquired in connection with acquisitions. Activities acquired are allocated to the operating segments Banking, Asset Management and Sydbank Markets. Goodwill represents DKK 170m at year-end 2020 (2019: DKK 170m) and primarily concerns Banking. Goodwill is tested for impairment annually. The impairment test carried out in 2020 did not result in impairment of goodwill.

The value of customer relationships represents DKK 275m at year-end 2020 (2019: DKK 69m). Additions in connection with acquisition of entity in 2020 represent DKK 225m. Customer relationships are amortised on a straight-line basis over the expected economic life of 5-15 years

Impairment test

The Group's goodwill is tested for impairment annually and where there is any indication of impairment.

The impairment test compares the carrying amount and the estimated present value of expected future cash flows. As a consequence of the special capital structure of financial groups, the calculation of the present value of future cash flows is based on an equity model/dividend discount model.

Future cash flows are determined on the basis of approved strategies and earnings estimates for the budget period. Earnings for the budget period are based on the budget for 2021 as approved by management which involves a steady development in the Bank's profit. Earnings at the end of the budget period are subsequently projected on the basis of expected long-term growth. Annualised growth in the terminal period is assumed to represent 1.5%.

Expected future cash flows are discounted at the Group's risk-adjusted required rates of return which constitute 9.7% before tax and 7.6% after tax at year-end 2020 (2019: 9.5% before tax and 7.5% after tax). The required rate of return and consequently the discount rate are based on current market data and external benchmarks.

The impairment test conducted does not indicate any impairment at 31 December 2020.

An increase in the Group's risk-adjusted required rate of return from 7.6% to for instance 9.0% would not result in goodwill impairment. Correspondingly a decline in estimated growth in the terminal period of 1 percentage point would not result in impairment. In addition a decrease in earnings of 15% during the terminal period would not result in impairment.

Note 24 Intangible assets – continued

DKKm	Sydbank Group		Sydbank A/S	
	2020	2019	2020	2019
Carrying amount at 1 Jan	239	259	239	259
Cost at 1 Jan	389	389	384	384
Additions	225	-	225	-
Cost at 31 Dec	614	389	609	384
Amortisation and impairment charges at 1 Jan	150	130	145	125
Amortisation and impairment charges for the year	19	20	19	20
Amortisation and impairment charges at 31 Dec	169	150	164	145
Carrying amount at 31 Dec	445	239	445	239

The value of customer relationships is amortised over 5-15 years.

Note 25 Owner-occupied property

Carrying amount at 1 Jan	1,077	1,080	853	856
Exchange rate adjustment	0	0	0	0
Additions, including improvements	28	19	12	7
Disposals	9	5	9	5
Depreciation for the year	7	7	6	6
Value adjustment recognised directly in equity	16	23	15	21
Value adjustment recognised in the income statement	(26)	(33)	(20)	(20)
Carrying amount at 31 Dec	1,079	1,077	845	853
Required rate of return applied to calculate fair value (%)	4.5-12.0	4.5-12.0	4.5-12.0	4.5-12.0

Sensitivity analysis: Other things being equal an increase of 0.5 percentage points in the required rate of return will reduce fair value by DKK 73m (2019: DKK 75m).

Notes

Note 26 Other property, plant and equipment

DKKm	Sydbank Group		Sydbank A/S	
	2020	2019	2020	2019
Carrying amount at 1 Jan	61	75	61	75
Cost at 1 Jan	562	556	562	555
Exchange rate adjustment	0	0	0	0
Additions	76	40	75	40
Disposals	24	34	23	33
Cost at 31 Dec	614	562	614	562
Depreciation and impairment charges at 1 Jan	501	481	501	480
Exchange rate adjustment	0	0	0	0
Depreciation for the year	64	50	64	51
Reversal of depreciation and impairment charges	21	30	21	30
Depreciation and impairment charges at 31 Dec	544	501	544	501
Carrying amount at 31 Dec	70	61	70	61

Note 27 Other assets

Positive market value of derivatives etc	4,762	4,834	4,762	4,834
Sundry debtors	1,198	983	796	616
Interest and commission receivable	167	148	167	148
Cash collateral provided, CSA agreements etc	2,043	1,844	2,043	1,844
Other assets	0	0	0	0
Total	8,170	7,809	7,768	7,442

Note 28 Amounts owed to credit institutions and central banks

Amounts owed to central banks	13	12	13	12
Amounts owed to credit institutions	7,080	5,485	7,080	5,727
Total	7,093	5,497	7,093	5,739
On demand	1,916	1,159	1,916	1,401
3 months or less	5,177	4,316	5,177	4,316
Over 3 months not exceeding 1 year	-	22	-	22
Total	7,093	5,497	7,093	5,739
Of which repo transactions	2,483	2,227	2,483	2,227

Note 29 Deposits and other debt

DKKm	Sydbank Group		Sydbank A/S	
	2020	2019	2020	2019
On demand	87,338	76,025	90,585	78,160
At notice	252	194	252	194
Time deposits	3,732	3,815	3,731	3,815
Special categories of deposits	4,597	4,261	4,597	4,261
Total	95,919	84,295	99,165	86,430
On demand	87,633	76,323	90,879	78,458
3 months or less	4,361	4,369	4,361	4,369
Over 3 months not exceeding 1 year	84	86	84	86
Over 1 year not exceeding 5 years	432	305	432	305
Over 5 years	3,409	3,212	3,409	3,212
Total	95,919	84,295	99,165	86,430
Of which repo transactions	3,456	2,419	3,456	2,419
Of which secured lending	-	1,000	-	1,000

Note 30 Bonds issued at amortised cost

Over 1 year not exceeding 5 years	9,563	7,437	9,563	7,437
Total	9,563	7,437	9,563	7,437

Note 31 Other liabilities

Negative market value of derivatives etc	4,884	4,958	4,884	4,958
Sundry creditors	4,841	5,009	4,743	4,886
Negative portfolio, reverse transactions	7,941	6,763	7,941	6,763
Interest and commission etc	83	86	83	86
Cash collateral received, CSA agreements etc	716	544	716	544
Total	18,465	17,360	18,367	17,237

Note 32 Provisions

Provisions for pensions and similar obligations	6	3	6	3
Provisions for deferred tax	306	291	306	290
Provisions for guarantees	161	140	161	140
Other provisions	56	43	56	43
Total	529	477	529	476

Notes

Note 32 Provisions – continued

Sydbank Group

DKKm					2020
	Provisions for pensions and similar obligations	Provisions for deferred tax	Provisions for guarantees*	Other provisions	Total provisions
Carrying amount at 1 Jan	3	291	140	43	477
Additions	3	15	21	13	52
Disposals	0	0	0	0	0
Carrying amount at 31 Dec	6	306	161	56	529

* Provision for guarantees as regards the portfolio acquired from Alm. Brand Bank, which is recognised as credit impaired at initial recognition, totals DKK 36m.

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

Note 33 Subordinated capital

Sydbank Group

Sydbank A/S

Interest rate	Note	Nominal (m)		Maturity	2020	2019	2020	DKKm 2019
2.125 (fixed)	1	Bond loan	EUR 100	11 Mar 2027	743	745	743	745
1.335 (floating)	2	Bond loan	EUR 75	2 Nov 2029	556	558	556	558
(0.042) (floating)	3	Bond loan	EUR 75	Perpetual	558	560	558	560
Total T2 capital					1,857	1,863	1,857	1,863
Total subordinated capital					1,857	1,863	1,857	1,863

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%.

Over 1 year not exceeding 5 years	1,299	1,303	1,299	1,303
Over 5 years	558	560	558	560
Total	1,857	1,863	1,857	1,863
Costs relating to the raising and redemption of subordinated capital	0	0	0	0

Correlation between subordinated capital and financing activities in cash flow statement

Sydbank Group

DKKm	1 Jan	Cash flows		Non-cash changes		31 Dec
		Raising	Redemption	Exchange rate	Other	
Subordinated capital - 2020	1,863	-	-	(7)	1	1,857
Subordinated capital - 2019	1,861	-	-	1	1	1,863

Fair value changes comprise the impact of market value adjustments and transaction costs. Cash flows from raised and redeemed debt are based on the exchange rate on the date of transaction. The note shows changes in the nominal value of subordinated capital. Raising and redemption amounts are based on the exchange rate at the balance sheet date.

Note 34 Own holdings DKKm	Sydbank Group		Sydbank A/S	
	2020	2019	2020	2019
Nominal portfolio of own holdings	4	25	4	25
Nominal portfolio of own holdings as % of share capital	0.7	4.0	0.7	4.0
Shares outstanding (number)	59,286,316	59,302,539	59,286,316	59,302,539
Holding of own shares (number)	390,004	2,451,461	390,004	2,451,461
Total share capital (number)	59,676,320	61,754,000	59,676,320	61,754,000
Own holdings purchased during the year				
Number of shares	6,186,282	6,430,510	6,186,282	6,430,510
Nominal value	62	64	62	64
Consideration paid	749	803	749	803
Number of shares as % of share capital	10.4	10.4	10.4	10.4
Own holdings sold during the year				
Number of shares	8,247,739	10,641,110	8,247,739	10,641,110
Nominal value	82	106	82	106
Consideration received	746	602	746	602
Number of shares as % of share capital	13.8	17.2	13.8	17.2

Within the share buyback programme, which was terminated on 17 March 2020, 279,000 shares totalling DKK 31m were purchased during the period from 26 February to 17 March 2020.

Within the share buyback programme 2,077,680 shares totalling DKK 250m were purchased during the period from 2 May to 20 December 2019.

In addition the Bank has purchased and sold own holdings as part of the ordinary banking transactions of Sydbank A/S.

Notes

Note 35 Contingent liabilities and other obligating agreements

DKKm	Sydbank Group		Sydbank A/S	
	2020	2019	2020	2019
Contingent liabilities				
Financial guarantees	5,054	4,147	5,054	4,156
Mortgage finance guarantees	5,135	3,150	5,135	3,150
Funded mortgage-like loan guarantees	1,197	1,645	1,197	1,645
Registration and remortgaging guarantees	6,157	9,351	6,157	9,351
Other contingent liabilities	1,934	1,767	1,934	1,767
Total	19,477	20,060	19,477	20,069
Other obligating agreements				
Irrevocable credit commitments	1,369	1,242	1,369	1,242
Other liabilities*	8	12	75	84
Total	1,377	1,254	1,444	1,326
* Of which intra-group liabilities in relation to rented premises	-	-	66	72

DKKm	Sydbank Group					
	Stage 1	Stage 2	Stage 3	Credit impaired at initial recognition	2020 Total	2019 Total
Guarantees						
1 Jan	19,151	737	172		20,060	13,881
Transfers between stages						
Additions concerning portfolio acquired	3,074			83	3,157	-
Transferred to stage 1	124	(113)	(11)		-	-
Transferred to stage 2	(137)	161	(24)		-	-
Transferred to stage 3	(26)	(61)	87		-	-
New exposures	6,230	152	23		6,405	15,459
Redeemed exposures	(12,287)	(297)	(62)		(12,646)	(8,702)
Changes in balances	2,563	(61)	(1)		2,501	(578)
31 Dec	18,692	518	184	83	19,477	20,060

Provisions for guarantees

1 Jan	7	42	91		140	172
Transfers between stages						
Additions concerning portfolio acquired	5	0	0		5	-
Transferred to stage 1	6	(3)	(3)		-	-
Transferred to stage 2	-	7	(7)		-	-
Transferred to stage 3	-	(9)	9		-	-
New exposures	3	3	1		7	12
Redeemed exposures	(3)	(7)	(19)		(29)	(29)
Changes in balances	(4)	(9)	15		2	(15)
31 Dec	14	24	87	0	125	140

Rating category/DKKm	1	2	3	4	5	6	7	8	9	Default	Total
Irrevocable credit commitments											
2020	6	282	507	563	0	0	0	11	-	-	1,369
2019	7	276	388	344	214	12	1	-	-	-	1,242

Note 35 Contingent liabilities and other obligating agreements – continued

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

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

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

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

As a result of the statutory participation in the resolution financing arrangement (the Resolution Fund), credit institutions pay an annual contribution over a 10-year period to reach a target funding level totalling 1% of covered deposits. Credit institutions must make contributions to the fund according to their relative size and risk in Denmark. Sydbank expects that contributions will total approximately DKK 220m 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.

Sydbank is jointly taxed with its Danish consolidated entities. The Sydbank Group has not opted for international joint taxation. Sydbank has been appointed the management company of the joint taxation entity. Being the management company Sydbank has unlimited and joint and several liability with its subsidiaries as regards the joint taxation concerning Danish corporation tax.

Note 36 Fair value hedging of interest rate risks (macro hedge)

The overall risk of fixed-rate loans and advances consists of credit risk, foreign exchange risk and interest rate risk. Similarly the overall risk of the hedging transactions – primarily interest rate swaps – consists of counterparty risk, foreign exchange risk and interest rate risk. Credit risk is managed separately in line with the credit risk of floating-rate loans and advances whereas the foreign exchange risk of loans and advances and the hedging transactions is subject to ongoing hedging. The counterparty risk of the hedging transactions is subject to ongoing hedging via CSA agreements requiring exchange of collateral to hedge positive market values, see note "Derivatives".

The remaining part of risk is attributable to the risk-free interest rate which the Group manages by means of a cash flow model which delivers a synthetic cash flow divided into maturity zones expressing the Group's risk positions. The model is updated daily with all the Group's positions. These are allocated to portfolios according to responsibility and product.

One of these portfolios consists of the Group's positions in fixed-rate loans and advances, including leases, fixed-rate deposits and related hedging transactions.

The Group's basis for concluding hedging transactions (rebalancing) is thus a synthetic net cash flow which is updated daily based on the actual cash flow of loans and advances, deposits and previously concluded hedging transactions in the relevant portfolio.

The synthetic cash flows are placed in maturity zones (under 1 year, 1-3 years, 3-7 years, and over 7 years) for each currency. Each zone is subject to an interest rate limit (typically DKK 1m) and a requirement that the interest rate risk of the hedging transaction must not exceed the hedged item.

This ensures that the interest rate risk in this portfolio is kept at a minimum as the Group wishes to place its interest rate risk in other portfolios containing bonds and other cash equivalent positions.

The Group applies the rules on macro hedge which aim to ensure symmetry between income and expense in the financial statements. Symmetry is achieved by making a hedge adjustment of the hedged loans and advances and deposits corresponding to the part of the market value adjustment of derivatives which concerns future periods. This hedge adjustment is recorded under "Other liabilities" and represents DKK 60m at 31 December 2020 (2019: DKK 63m under "Other liabilities").

During the year a net gain on hedging transactions of DKK 14m was recorded (2019: net gain of DKK 98m). The gain eliminates a corresponding net loss on hedged items.

The Group's interest rate risk management is described in more detail in "Notes – Risk Management" on page 124.

Notes

Note 36 Fair value hedging of interest rate risks (macro hedge) – continued	Sydbank Group		Sydbank A/S		
	DKKm	2020	2019	2020	2019
Fixed-rate loans and advances					
Carrying amount		3,047	2,612	3,047	2,612
Swaps					
Principal		6,238	5,837	6,238	5,837
Fair value		(52)	(52)	(52)	(52)
Fixed-rate subordinated capital/bonds issued/AT1 capital					
Carrying amount		10,708	9,596	10,708	9,596
Swaps					
Principal		10,627	9,516	10,627	9,516
Fair value		178	175	178	175

The Group's fair value hedging of interest rate risks (macro hedge) is described in detail in note 39 on page 108.

Note 37 Collateral

At the end of 2020 the Group had deposited as collateral securities and cash at a total value of DKK 260m with Danish and foreign exchanges and clearing centres etc in connection with margin calls and securities settlements etc. In addition the Group has provided cash collateral in connection with CSA agreements of DKK 2,043m and deposited as collateral securities at a market value of DKK 21m. The correlation to market values of derivatives appears from "Notes – Derivatives".

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. For the breakdown by amounts owed to credit institutions and deposits, see notes 28 and 29.

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".

	Sydbank Group		Sydbank A/S		
	DKKm	2020	2019	2020	2019
Assets sold as part of repo transactions					
Bonds at fair value		5,930	4,634	5,930	4,634
Assets purchased as part of reverse transactions					
Bonds at fair value		21,029	15,768	21,029	15,768

Note 38 Related parties

Sydbank Group

DKKm	2020			2019		
	Associates	Board of Directors	Group Executive Management	Associates	Board of Directors	Group Executive Management
Loans and advances and loan commitments	0	11	2	3	8	0
Deposits and other debt	164	10	8	267	10	8
Guarantees issued	0	0	0	0	0	0
Collateral received	0	3	1	0	5	0
Interest income	0	0	0	0	0	0
Interest expense	(1)	0	0	(1)	0	0
Fee and commission income	0	0	0	0	0	0
Other expenses	563	0	0	544	0	0

Interest rates 2020:

Group Executive Management: No loans and advances

Board of Directors: 0.50-1.85% p.a.*

* Interest rates concern loans in different currencies.

There are no parties with significant influence over Sydbank A/S (ownership share of at least 20%). The Board of Directors and the Group Executive Management columns comprise the Group's exposures to and transactions with members of the Board of Directors and the Group Executive Management as well as their dependants. Further information on the remuneration of management appears from note 13.

Other expenses include primarily IT costs to Bankdata.

Transactions with related parties are settled on an arm's length basis and are subject to the terms and conditions in force. No unusual transactions took place with related parties in 2020.

Amounts owed by and to subsidiaries etc

Sydbank Group

Sydbank A/S

DKKm	2020		2019	
	Sydbank Group	Sydbank A/S	Sydbank Group	Sydbank A/S
Amounts owed by credit institutions and central banks	-	-	-	-
Loans and advances at amortised cost	-	-	1,354	617
Total asset items	-	-	1,354	617
Amounts owed to credit institutions	-	-	-	242
Deposits and other debt	-	-	3,246	2,135
Total liability items	-	-	3,246	2,377

Notes

Note 38 Related parties – continued

Sydbank Group

Number					31 Dec 2020
	1 Jan 2020	On appointment/ resignation	Additions	Disposals	
Sydbank A/S shares held by					
Board of Directors (personal holdings)					
Lars Mikkellaard-Jensen (Chairman)	4,000		1,000		5,000
Jacob Chr. Nielsen (Vice-Chairman)	77				77
Carsten Andersen	1,175		509		1,684
Henrik Hoffmann	-	750			750
Søren Holm	-	373	627		1,000
Kim Holmer	1,791		28		1,819
Janne Moltke-Leth	93		129		222
Jarl Oxlund	1,664		28		1,692
Gitte Poulsen	5,330				5,330
Susanne Schou	110				110
Jon Stefansson	389				389
Jørn Krogh Sørensen	3,084		630		3,714
Total	17,713	1,123	2,951	-	21,787
Board of Directors (own holdings and holdings of dependants)					
Lars Mikkellaard-Jensen (Chairman)	4,000		1,000		5,000
Jacob Chr. Nielsen (Vice-Chairman)	77				77
Carsten Andersen	1,175		509		1,684
Henrik Hoffmann	-	750			750
Søren Holm	-	373	627		1,000
Kim Holmer	1,891		28		1,919
Janne Moltke-Leth	93		129		222
Jarl Oxlund	1,664		28		1,692
Gitte Poulsen	5,360			30	5,330
Susanne Schou	420				420
Jon Stefansson	389				389
Jørn Krogh Sørensen	3,184		630	100	3,714
Total	18,253	1,123	2,951	130	22,197
Group Executive Management (own holdings and holdings of dependants)					
Karen Frøsig	5,708		1,445		7,153
Henning Dam	-	1,644			1,644
Bjarne Larsen	5,049		1,445		6,494
Jørn Adam Møller	4,606		1,445		6,051
Total	15,363	1,644	4,335	-	21,342
Total	33,616	2,767	7,286	130	43,539



Notes

Note 39 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.

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

Note 39 Fair value disclosure – continued

DKKm				Sydbank Group	
	Mandatory fair value (trading portfolio)	Fair value option	FVOCI	Total fair value	2019 Amortised cost
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

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 327m.

Notes

Note 39 Fair value disclosure – continued

Sydbank Group

DKKm	Quoted prices	Observable inputs	Unobservable inputs	Total fair value
2020				
Financial assets				
Amounts owed by credit institutions and central banks		2,835		2,835
Loans and advances at fair value		17,961		17,961
Bonds at fair value		36,942		36,942
Shares etc	298	19	2,092	2,409
Assets related to pooled plans	8,785	10,988		19,773
Land and buildings			1,180	1,180
Other assets	442	4,420		4,862
Total	9,525	73,165	3,272	85,962
Financial liabilities				
Amounts owed to credit institutions and central banks		2,483		2,483
Deposits and other debt		3,456		3,456
Deposits in pooled plans		19,773		19,773
Other liabilities	403	12,425		12,828
Total	403	38,137	-	38,540
2019				
Financial assets				
Amounts owed by credit institutions and central banks		3,062		3,062
Loans and advances at fair value		12,602		12,602
Bonds at fair value		32,357		32,357
Shares etc	308	40	1,863	2,211
Assets related to pooled plans	7,347	11,695		19,042
Other assets	388	4,532		4,920
Total	8,043	64,288	1,863	74,194
Financial liabilities				
Amounts owed to credit institutions and central banks		2,227		2,227
Deposits and other debt		2,419		2,419
Deposits in pooled plans		19,042		19,042
Other liabilities	291	11,433		11,724
Total	291	35,121	-	35,412

Note 39 Fair value disclosure – continued

Sydbank Group

DKKm	2020	2019
Assets measured on the basis of unobservable inputs		
Carrying amount at 1 Jan	1,863	1,800
Additions	157	0
Disposals	46	82
Market value adjustment	118	145
Value at 31 Dec	2,092	1,863
Recognised in profit for the year		
Interest income	-	-
Dividend	18	26
Market value adjustment	117	145
Total	135	171

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 year-end 2020 CVA constitutes 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 year-end 2020 client margins presently not recognised as income total DKK 21m compared to DKK 26m at year-end 2019.

Financial instruments recognised at amortised cost

The vast majority of the Group's amounts owed, loans and advances and deposits cannot be transferred without the prior consent of clients and no active market exists for trading in such financial instruments. Consequently fair value disclosures are solely based on circumstances where market conditions have changed after initial recognition of the instrument, including in particular changes in interest rates. Fair value disclosures on financial instruments recognised at amortised cost are based on the assumptions below:

- As regards financial instruments for which a quoted price exists in the market, such a price is applied. This applies to bonds issued and subordinated capital. In the absence of a market price, the value is determined on the basis of estimates of the market's existing required rate of return.
- As regards loans and advances, impairment charges are presumed to equal the fair value of the credit risk.
- As regards financial instruments with a maturity of less than 6 months, amortised cost is presumed to equal fair value.
- As a rule the interest rate risk of fixed-rate deposits and loans and advances with a maturity exceeding 6 months is hedged by derivatives, primarily interest rate swaps. The hedge is treated as a fair value hedge for accounting purposes. As a result of the application of these rules this portfolio, taken as a whole, is recognised at fair value in the balance sheet. The portfolio comprises loans and advances, deposits and swaps, see note 36.

Based on the above it is the overall assessment that the fair value of loans and advances and deposits corresponds to the carrying amount at 31 December 2020 in all material respects.

DKKm	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Bonds issued at amortised cost	9,563	9,648	7,437	7,584
Subordinated capital	1,857	1,750	1,863	1,660

Notes

Note 40 Financial liabilities – contractual maturities

Sydbank Group

DKKm					
	On demand	3 months or less	Over 3 months not exceeding 1 year	Over 1 year not exceeding 5 years	Over 5 years
2020					
Amounts owed to credit institutions and central banks	1,916	5,177	-	-	-
Deposits and other debt	87,633	4,361	84	432	3,409
Bonds issued at amortised cost	-	-	-	9,563	-
Subordinated capital	-	-	-	1,299	558
Total	89,549	9,538	84	11,294	3,967
Contingent liabilities (guarantees)	9,205	5,424	1,187	535	3,126
2019					
Amounts owed to credit institutions and central banks	1,159	4,316	22	-	-
Deposits and other debt	76,323	4,369	86	305	3,212
Bonds issued at amortised cost	-	-	-	7,437	-
Subordinated capital	-	-	-	1,303	560
Total	77,482	8,685	108	9,045	3,772
Contingent liabilities (guarantees)	7,205	9,580	721	442	2,112

Amounts are exclusive of interest.

Note 41 Activity per country

Sydbank Group

DKKm					
	Turnover	Number of employees	Profit before tax	Tax	Public subsidies received
2020					
Denmark, banking and leasing	4,144	2,220	1,015	223	-
Germany, banking	177	66	6	1	-
Switzerland, in liquidation	-	-	0	(2)	-
Total	4,321	2,286	1,021	222	-
2019					
Denmark, banking and leasing	4,294	1,962	1,074	225	-
Germany, banking	182	68	9	3	-
Switzerland, in liquidation	-	-	(2)	0	-
Total	4,476	2,030	1,081	228	-

Turnover is defined as interest income, fee and commission income and other operating income.

Note 42 Financial highlights
Sydbank Group

	2020	2019	2018	2017*	2016*
Income statement highlights (DKKm)					
Net interest and fee income	3,557	3,602	3,725	3,856	4,002
Market value adjustments	340	226	335	727	553
Staff costs and administrative expenses	2,724	2,729	2,666	2,537	2,487
Impairment of loans and advances etc	48	(90)	(114)	(45)	98
Profit/(Loss) on holdings in associates etc	8	5	8	(7)	2
Profit for the year**	799	853	1,161	1,531	1,472
Balance sheet highlights (DKKbn)					
Loans and advances	78.2	73.2	67.5	69.6	83.3
Total equity	12.5	11.8	11.7	11.9	11.8
Total assets	165.8	147.7	140.5	138.5	146.7
Financial ratios per share (DKK per share of DKK 10)					
EPS	12.8	13.5	17.8	22.5	20.9
Book value	197.6	184.9	179.0	178.3	169.2
Dividend	4.00	-	9.36	11.31	10.46
Share price/EPS	10.6	10.4	8.7	11.1	10.5
Share price/book value	0.68	0.76	0.87	1.40	1.30
Other financial ratios and key figures					
Capital ratio	24.0	22.9	22.4	20.8	19.2
T1 capital ratio	20.4	19.4	19.0	17.7	17.4
Pre-tax profit as % of average equity	8.6	9.5	12.2	16.5	16.1
Post-tax profit as % of average equity	6.7	7.5	10.0	12.9	12.7
Income/cost ratio (DKK)	1.35	1.39	1.51	1.74	1.69
Interest rate risk	1.6	1.6	1.3	0.8	1.6
Foreign exchange position	1.2	1.6	1.3	1.2	2.2
Foreign exchange risk	0.0	0.0	0.0	0.0	0.0
Loans and advances relative to deposits	0.7	0.7	0.7	0.7	0.8
Loans and advances relative to equity	6.7	6.7	6.2	5.8	7.1
Grown in loans and advances for the year	(0.5)	(0.7)	(5.2)	(16.7)	3.9
Total large exposures	149	143	147	131	-
Impairment ratio for the year	0.0	(0.1)	(0.1)	(0.1)	0.1
Return on assets (%)	0.51	0.59	0.83	1.07	1.02

* Comparative figures have been restated in accordance with previous accounting principles (IAS 39).

** Determined according to IFRS.

Financial highlights and financial ratios are specified in the Danish FSA's executive order on financial reporting of credit institutions etc.

Notes

Note 42 Financial highlights – continued

Sydbank A/S

	2020	2019	2018	2017*	2016*
Income statement highlights (DKKm)					
Net interest and fee income	3,427	3,519	3,639	3,789	3,835
Market value adjustments	348	236	286	727	553
Staff costs and administrative expenses	2,632	2,666	2,611	2,482	2,431
Impairment of loans and advances etc	48	(90)	(114)	(45)	98
Profit/(Loss) on holdings in associates etc	11	0	22	(26)	71
Profit for the year	802	861	1,123	1,531	1,472
Balance sheet highlights (DKKbn)					
Loans and advances	79.4	73.6	67.7	69.8	83.5
Total equity	12.5	11.7	11.7	11.9	11.8
Total assets	168.8	150.0	142.9	140.8	148.9
Financial ratios per share (DKK per share of DKK 10)					
EPS	12.9	13.7	17.2	22.5	20.9
Book value	197.6	184.9	179.0	178.3	169.2
Dividend	4.00	-	9.36	11.31	10.46
Share price/EPS	10.5	10.2	9.0	11.1	10.5
Share price/book value	0.68	0.76	0.87	1.40	1.30
Other financial ratios and key figures					
Capital ratio	22.7	22.0	21.5	20.1	18.7
T1 capital ratio	19.4	18.6	18.4	17.2	16.8
Pre-tax profit as % of average equity	8.5	9.5	11.7	16.4	15.9
Post-tax profit as % of average equity	6.7	7.5	9.6	12.9	12.7
Income/cost ratio (DKK)	1.36	1.39	1.52	1.76	1.69
Interest rate risk	1.5	1.6	1.3	0.8	1.6
Foreign exchange position	1.2	1.6	1.3	1.2	2.2
Foreign exchange risk	0.0	0.0	0.0	0.0	0.0
Loans and advances relative to deposits	0.7	0.7	0.7	0.7	0.9
Loans and advances relative to equity	6.8	6.7	6.2	5.8	7.1
Grown in loans and advances for the year	0.7	(0.3)	(5.2)	(16.6)	3.9
Total large exposures	149	143	147	131	-
Impairment ratio for the year	0.0	(0.1)	(0.1)	(0.1)	0.1
Return on assets (%)	0.50	0.59	0.79	1.06	1.00

* Comparative figures have been restated in accordance with previous accounting principles (IAS 39).

Financial highlights and financial ratios are specified in the Danish FSA's executive order on financial reporting of credit institutions etc.

Note 43 Reporting events occurring after the balance sheet date

Sydbank A/S has sold 100% of the share capital in the subsidiary Alm. Brand Leasing A/S to Opendo A/S effective from 1 March 2021. In addition Sydbank A/S will acquire 10.4% of the share capital in Opendo A/S, thereby becoming a co-owner of the company together with 13 other financial institutions and an insurance undertaking.

The reason for the sale is that the current leasing set-up of Sydbank A/S is based on finance leasing while the primary focus of Alm. Brand Leasing A/S is operating leasing. With Opendo A/S as the new owner, the owners will continue to focus on operating leasing. Moreover approx 30 jobs are guaranteed.

The sale has been effected at book value at 31 December 2020 after deduction of dividends.

Apart from the above no matters of significant impact on the financial position of the Group have occurred after the expiry of the financial year.

Note 44 Group holdings and enterprises

Sydbank Group

31 December 2020	Activity	Share capital (m)	Equity (DKK m)	Profit/ (Loss) (DKK m)	Ownership share (%)
Sydbank A/S		DKK 597			
Consolidated subsidiaries					
Syd ABB A/S*	Invt & admin.	DKK 1,021	1,098	1	100
Ejendomselskabet AB ApS, Copenhagen*	Real property	DKK 1	14	0	100
Ejendomselskabet af 1. juni 1986 A/S, Aabenraa	Real property	DKK 11	12	1	100
Syd Administration A/S, Aabenraa	Invt & admin.	DKK 300	2,030	(4)	100
Syd Fund Management A/S, Aabenraa	Administration	DKK 100	119	19	69
Held for sale					
Alm. Brand Leasing, A/S, Copenhagen*	Leasing	DKK 3	196	2	100
Green Team Group A/S, Sønder Omme	Wholesale	DKK 101	33	26	100
Holdings in associates					
Foreningen Bankdata, Fredericia**	IT	DKK 472	476	(55)	35
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

* Profit covers the period 30 November-31 December 2020.

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

Note 45 Large shareholders

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

Note 46 Correlation between Group profit and equity according to IFRS and the Danish FSA accounting rules

The Group's financial statements are prepared according to IFRS. The Group's accounting policies correspond to the provisions of the Danish FSA's rules excepting that the Danish FSA's executive order does not allow the use of value adjustment through other comprehensive income as regards shareholdings. In the Group's reporting to the Danish FSA all shareholdings are measured at FVPL.

DKK m	Sydbank Group			
	Profit for the year		Equity	
	2020	2019	2020	2019
The Group's profit and equity according to IFRS	799	853	12,506	11,764
Value adjustment of certain strategic shares	11	14	-	-
Tax on value adjustment of certain strategic shares	(2)	(3)	-	-
Group profit and equity according to the Danish FSA accounting rules	808	864	12,506	11,764

Note 47 Acquisition of subsidiaries

Acquisitions in 2020

In 2020 Sydbank acquired 100% of the share capital in Alm. Brand Bank. The acquisition was finalised on 30 November 2020.

To ensure a simple and cost effective group structure the activities of Alm. Brand Bank were transferred to Sydbank A/S as of 30 December 2020. In addition the subsidiaries Alm. Brand Leasing A/S and Ejendomselskabet AB ApS were transferred to Sydbank A/S as of the same date.

Notes

Note 47 Acquisition of subsidiaries – continued

On 10 December 2020 Sydbank requested the Danish FSA to revoke Alm. Brank Bank's banking licence and consequently the permission to conduct banking business. The request was met on 30 December 2020 and Alm. Brand Bank no longer conducts business requiring a banking licence in accordance with the Danish Financial Business Act.

The activities of Alm. Brand Leasing A/S predominantly comprise operating leasing which is outside the strategic scope of the Sydbank Group and therefore the plan is to dispose of them. As a result assets and liabilities concerning Alm. Brand Leasing A/S are presented in the balance sheet of the Sydbank Group as assets and liabilities in temporary possession and have therefore been disposed of at 1 March 2021.

The activities acquired are included in the segment reporting of the Sydbank Group under Banking. Sydbank has concluded an agreement with Alm. Brand Forsikring as regards the handling of certain administrative tasks during a transitional period.

The purchase price of the Alm. Brand Bank Group represents DKK 1,897m, which has been paid in cash.

The acquisition includes approx 55,000 NemKonto (Easy Account) customers, bank loans and advances totalling DKK 4.2bn and arranged Totalkredit mortgage loans representing DKK 16.9bn.

Moreover the agreement includes the establishment of a partnership to create attractive value propositions for bank customers and insurance customers. The partnership is expected to generate an increase in business volume and income for both parties.

After recognition of identifiable assets, liabilities and contingent liabilities at fair value, goodwill in connection with the acquisition constitutes DKK 0m. The assets acquired and liabilities assumed can be broken down as follows at the acquisition date:

Statement of fair value

DKKm	30 November 2020
Assets	
Cash and balances on demand at central banks	214
Amounts owed by credit institutions and central banks	2,810
Loans and advances at amortised cost	4,239
Bonds at fair value	4,197
Shares etc	178
Intangible assets, customer relationships	225
Land and buildings	28
Other property, plant and equipment	4
Current tax assets	3
Assets in temporary possession	955
Other assets	147
Prepayments	11
Total assets	13,011
Liabilities	
Amounts owed to credit institutions and central banks	319
Deposits and other debt	9,905
Bonds issued	150
Other liabilities	446
Liabilities in temporary possession	101
Provisions	18
Subordinated capital	175
Total liabilities	11,114
Net assets acquired	1,897
Purchase price	1,897
Goodwill	0
Contingent liabilities	
Guarantees	3,273

Note 47 Acquisition of subsidiaries – continued

Calculation of fair values

In connection with the acquisition of Alm. Brand Bank, Sydbank has determined identifiable assets and liabilities which are recognised in the pre-acquisition balance sheet at fair value.

The fair value of loans and advances is based on an assessment of the market value of the portfolio acquired. Before the fair value adjustment, the net value of loans and advances represented DKK 4,405m at the acquisition date. The fair value adjustment of loans and advances totalled DKK 165m. Total loans and advances after fair value adjustment represented DKK 4,239m.

The fair value of customer relationships has been determined using the Multi-Period Excess Earnings Method (MEEM). Customer relationships are determined at the present value of the net cash flows generated through sale to customers after deducting a reasonable return on all other assets which contribute to generating the cash flows in question. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the ongoing use of the assets or from the sale of the assets.

The fair value of land and buildings is based on a combination of external valuers and the DCF model.

Liabilities are valued at the present value of the amounts to be applied to settling the liabilities. The Group's lending rate before tax is used in connection with discounting. Discounting is avoided as regards short-term liabilities when the effect is insignificant.

Impact of the acquisition on the Sydbank Group's income statement

The activities acquired form part of the Sydbank Group's net interest and fee income at DKK 42m and profit for the year at DKK 3m for the period from the acquisition at 30 November 2020 to 31 December 2020.

The Group's net interest and fee income and profit for the year for 2020 made up pro forma as if Alm. Brand Bank had been acquired as of 1 January 2020 total DKK 555m and DKK 82m respectively. The pro forma figures are determined on the basis of the actual acquisition cost and the allocation of the purchase price as at the acquisition date. However depreciation/amortisation, loan costs etc are included in the pro forma figures as of 1 January 2020.

Acquisitions in 2019

On 1 October 2019 the Group acquired the shares in Green Team Group A/S. Sydbank was the main banker to the Green Team group and acquired it without consideration as a consequence of the company's situation. Green Team is consolidated in accordance with the rules applying to "Assets held for sale" as it is expected that the entities of the group will be disposed of as soon as possible when market conditions allow. The entity's assets totalling DKK 351m and its liabilities totalling DKK 86m, excluding the facilities with Sydbank, are recognised under "Other assets" and "Other liabilities" respectively.

The entity's staff numbers approx 52. They are not included in the number of full-time employees in "Group Financial Highlights" of the Sydbank Group on page 10.

The entity's financial performance after the acquisition has not resulted in a change in the net realisable value which was recognised on acquisition.

Definitions – Group Financial Ratios & Performance Measures

Financial ratio/performance measure	Definition
EPS Basic (DKK)*	Profit for the year divided by average number of shares outstanding.
EPS Diluted (DKK)*	Profit for the year divided by average number of shares outstanding, including dilutive effect of share options and restricted shares.
Share price at year-end	Closing price of the Sydbank share at year-end.
Book value per share (DKK)	Equity at year-end divided by number of shares outstanding at year-end.
CET1 ratio	CET1 capital divided by risk exposure amount.
T1 capital ratio	T1 capital including AT1 capital divided by risk exposure amount.
Capital ratio	Total capital divided by risk exposure amount.
Pre-tax profit as % of average equity*	Pre-tax profit divided by quarterly average equity calculated as an average of equity of the year's 4 quarters at year-end.
Post-tax profit as % of average equity*	Post-tax profit divided by quarterly average equity calculated as an average of equity of the year's 4 quarters at year-end.
Return on assets (%)	Profit for the year divided by total average assets.
Loans and advances relative to deposits	Loans and advances at amortised cost divided by deposits (deposits and other debt and deposits in pooled plans).
Loans and advances relative to equity	Loans and advances at amortised cost divided by equity.
Grown in loans and advances for the year	Calculated on the basis of loans and advances at amortised cost.
Accumulated impairment ratio	Impairment charges and provisions at year-end (allowance account) divided by loans and advances at amortised cost and guarantees before impairment charges and provisions.
Impairment ratio for the year	Impairment charges for loans and advances etc divided by loans and advances at amortised cost and guarantees before impairment charges and provisions.
Number of full-time staff at year-end	Number of full-time equivalent staff (part-time staff translated into full-time staff) at year-end.

* Financial ratios are calculated as if AT1 capital is accounted for as a liability.

Reference is made to "Accounting policies" (note 1) for a definition of core income and investment portfolio earnings.

Notes - Derivatives

Distribution by maturity

DKKm	3 months or less	Over 3 months not exceeding 1 year	Over 1 year not exceeding 5 years	Over 5 years	Total 2020	Total 2019
Nominal values						
Foreign exchange contracts:						
Spot, bought	493	-	-	-	493	344
Spot, sold	661	-	-	-	661	467
Forwards/futures, bought	0	1,804	283	0	2,087	18,253
Forwards/futures, sold	0	2,650	217	0	2,867	16,444
Swaps	0	132	1,618	132	1,882	768
Options, acquired	1,502	592	62	0	2,156	1,491
Options, written	1,467	517	58	0	2,042	1,301
Interest rate contracts:						
Spot, bought	3,473	-	-	-	3,473	11,240
Spot, sold	6,035	-	-	-	6,035	13,989
Forwards/futures, bought	6,038	0	0	0	6,038	7,107
Forwards/futures, sold	3,248	0	0	0	3,248	5,168
Forward rate agreements, bought	0	0	0	0	0	0
Forward rate agreements, sold	0	0	0	0	0	0
Swaps	6,623	9,736	89,404	25,728	131,491	135,153
Options, acquired	446	3,029	0	0	3,475	3,791
Options, written	0	(3,029)	0	0	(3,029)	2,038
Equity contracts:						
Spot, bought	385	-	-	-	385	347
Spot, sold	424	-	-	-	424	374
Forwards/futures, bought	0	0	0	0	0	0
Forwards/futures, sold	0	0	0	0	0	0
Options, acquired	0	0	0	0	0	1
Options, written	0	0	0	0	0	1
Other derivative contracts:						
Futures commodities, bought	0	0	0	0	0	0
Futures commodities, sold	0	0	0	0	0	0
Options, acquired	0	0	0	0	0	0
Options, written	0	0	0	0	0	0
Credit default swaps	0	0	0	0	0	0

Distribution by maturity

DKKm	3 months or less	Over 3 months not exceeding 1 year	Over 1 year not exceeding 5 years	Over 5 years	Total 2020	Total 2019
Net market values						
Foreign exchange contracts:						
Spot, bought	(2)	-	-	-	(2)	1
Spot, sold	0	-	-	-	0	0
Forwards/futures, bought	(203)	(23)	3	0	(223)	62
Forwards/futures, sold	229	35	2	0	267	32
Swaps	0	(4)	31	12	40	24
Options, acquired	12	13	0	0	25	9
Options, written	(5)	(6)	0	0	(11)	(6)
Interest rate contracts:						
Spot, bought	3	-	-	-	3	(12)
Spot, sold	(3)	-	-	-	(3)	16
Forwards/futures, bought	33	0	0	0	33	(14)
Forwards/futures, sold	(4)	0	0	0	(4)	12
Forward rate agreements, bought	0	0	0	0	0	0
Forward rate agreements, sold	0	0	0	0	0	0
Swaps	(2)	(24)	(108)	(181)	(314)	(355)
Options, acquired	61	1	8	0	70	208
Options, written	0	0	1	0	1	(100)
Equity contracts:						
Spot, bought	(2)	-	-	-	(2)	(3)
Spot, sold	1	-	-	-	1	2
Forwards/futures, bought	0	0	0	0	0	(2)
Forwards/futures, sold	0	0	0	0	0	2
Options, acquired	1	0	0	0	1	1
Options, written	(1)	0	0	0	(1)	(1)
Other derivative contracts:						
Futures commodities, bought	0	0	0	0	0	0
Futures commodities, sold	0	0	0	0	0	0
Options, acquired	0	0	0	0	0	0
Options, written	0	0	0	0	0	0
Credit default swaps	0	0	0	0	0	0
Total net market values					(122)	(124)

Notes - Derivatives

DKKm	Total contracts 2020*			Total contracts 2019*		
	Positive	Negative	Net	Positive	Negative	Net
Market values						
Foreign exchange contracts:						
Spot, bought	1	(2)	(2)	1	0	1
Spot, sold	2	(3)	0	2	(2)	0
Forwards/futures, bought	82	(305)	(223)	126	(64)	62
Forwards/futures, sold	346	(79)	267	107	(75)	32
Swaps	49	(9)	40	33	(9)	24
Options, acquired	25	0	25	9	0	9
Options, written	0	(11)	(11)	0	(6)	(6)
Interest rate contracts:						
Spot, bought	4	(2)	3	2	(14)	(12)
Spot, sold	2	(5)	(3)	18	(2)	16
Forwards/futures, bought	35	(2)	33	2	(16)	(14)
Forwards/futures, sold	2	(6)	(4)	13	(1)	12
Forward rate agreements, bought	0	0	0	0	0	0
Forward rate agreements, sold	0	0	0	0	0	0
Swaps	4,131	(4,445)	(314)	4,303	(4,658)	(355)
Options, acquired	70	0	70	208	0	208
Options, written	1	0	1	2	(102)	(100)
Equity contracts:						
Spot, bought	5	(7)	(2)	2	(5)	(3)
Spot, sold	6	(5)	1	3	(1)	2
Forwards/futures, bought	0	0	0	0	(2)	(2)
Forwards/futures, sold	0	0	0	2	0	2
Options, acquired	1	0	1	1	0	1
Options, written	0	(1)	(1)	0	(1)	(1)
Other derivative contracts:						
Futures commodities, bought	0	0	0	0	0	0
Futures commodities, sold	0	0	0	0	0	0
Options, acquired	0	0	0	0	0	0
Options, written	0	0	0	0	0	0
Credit default swaps	0	0	0	0	0	0
Total market values	4,762	(4,884)	(122)	4,834	(4,958)	(125)

* All contracts are non-guaranteed.

DKKm	Total contracts 2020*			Total contracts 2019*		
	Positive	Negative	Net	Positive	Negative	Net
Average market values						
Foreign exchange contracts:						
Spot, bought	1	(3)	(1)	3	(5)	(2)
Spot, sold	7	(9)	(1)	7	(10)	(3)
Forwards/futures, bought	180	(148)	32	211	(56)	155
Forwards/futures, sold	200	(148)	51	90	(152)	(62)
Swaps	45	(9)	36	35	(11)	24
Options, acquired	28	0	28	12	0	12
Options, written	0	(19)	(18)	0	(12)	(12)
Interest rate contracts:						
Spot, bought	6	(10)	(4)	8	(3)	5
Spot, sold	10	(5)	5	5	(5)	0
Forwards/futures, bought	47	(9)	38	39	(9)	30
Forwards/futures, sold	3	(16)	(14)	4	(7)	(3)
Forward rate agreements, bought	0	0	0	0	0	0
Forward rate agreements, sold	0	0	0	0	0	0
Swaps	4,463	(4,809)	(346)	4,475	(4,892)	(417)
Options, acquired	110	0	110	279	(1)	278
Options, written	2	(76)	(74)	3	(236)	(233)
Equity contracts:						
Spot, bought	9	(12)	(3)	3	(4)	(1)
Spot, sold	12	(8)	4	4	(3)	1
Forwards/futures, bought	1	(2)	(1)	1	(1)	0
Forwards/futures, sold	1	(1)	1	1	(1)	0
Options, acquired	2	0	2	2	0	2
Options, written	0	(2)	(2)	0	(3)	(3)
Other derivative contracts:						
Futures commodities, bought	0	0	0	0	0	0
Futures commodities, sold	0	0	0	0	0	0
Options, acquired	0	0	0	0	0	0
Options, written	0	0	0	0	0	0
Credit default swaps	0	0	0	0	0	0
Total average market values	5,127	(5,285)	(158)	5,182	(5,411)	(229)

* Average market value calculations are based on monthly statements.

DKKm	Market values		Collateral		Exposure by counterparty	
	Positive	Negative	Provided	Received	Amount due	Amount owed
2020						
Exposure						
Counterparties with CSA agreements	3,681	4,601	1,727	716	201	109
Counterparties without CSA agreements	1,081	283	-	-	1,021	223
Total	4,762	4,884	1,727	716	1,222	332
2019						
Exposure						
Counterparties with CSA agreements	3,703	4,730	1,709	544	182	44
Counterparties without CSA agreements	1,131	228	-	-	1,064	160
Total	4,834	4,958	1,709	544	1,246	204

Notes - Risk Management

On the basis of the strategic objectives for the Group, the Board of Directors has issued guidelines for the Group Executive Management and has adopted policies as regards credit risk, liquidity risk, market risk, operational risk, insurance and IT security.

The Board of Directors has set up a Risk Committee to address risk management in greater detail. The committee convenes as a minimum every quarter where ongoing reporting to the Board of Directors is reviewed and current issues are discussed. At subsequent board meetings the contents and conclusions of the Risk Committee meetings are presented to the full Board of Directors.

Credits is responsible for the day-to-day handling of credit risk whereas Sydbank Markets is responsible for the day-to-day handling of liquidity and market risks. The individual business units are each responsible for the day-to-day handling of operational risk. Finance is responsible for handling the Group's insurances and IT Service & Development is responsible for the Group's IT security.

Overall risk management, including ongoing reporting to the Group Executive Management and the Board of Directors, is performed by Risk. The Group Executive Vice President of Risk is the CRO of the Sydbank Group.

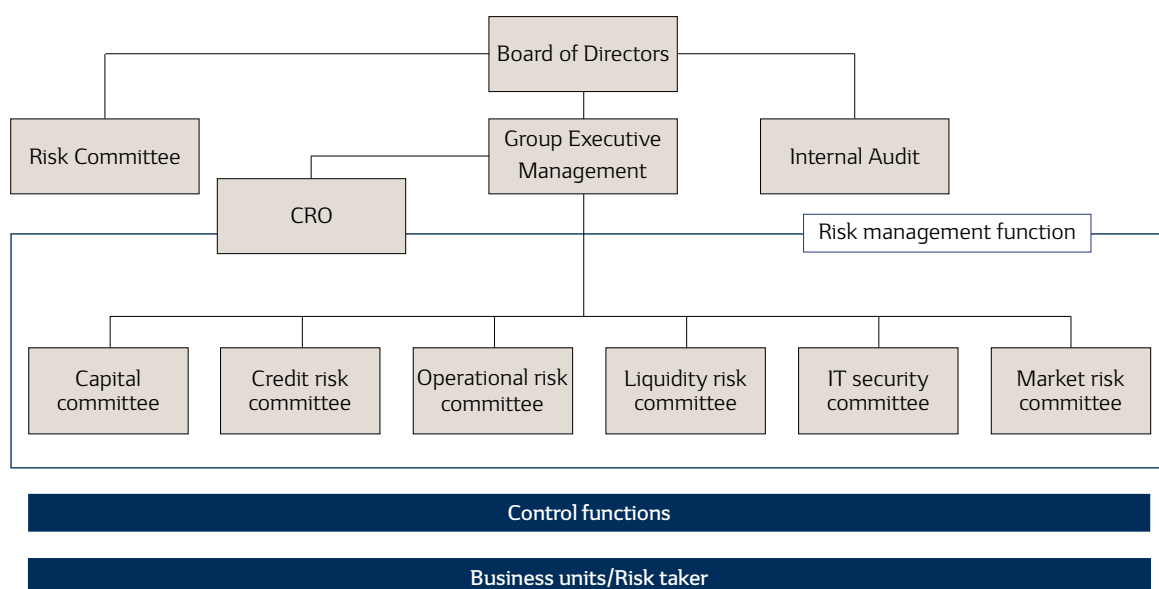
Risk management is supported by the Group's risk organisation, see the chart below.

The relevant business units are represented in the committees, each headed by a Group Executive Management member. The CRO is a member of all committees.

It is the responsibility of the committees, within their respective risk areas, to identify, assess and follow up on the Group's risks including principles to determine risk, models applied, and to assess whether exposures and risks comply with the Group's intended profile and policy.

The committees convene as a minimum every quarter and prepare once a year a risk analysis which is included as an important element in the annual risk assessment of the Group.

The risk assessment at 31 December 2020 together with the Group's 2020 financial statements, Credit Risk 2020, the Group's Internal Liquidity Adequacy Assessment Process (ILAAP) at 31 December 2020 and the Group's Internal Capital Adequacy Assessment Process (ICAAP) at 31 December 2020 constitute the main elements of Risk Committee and Audit Committee meetings as well as board meetings at the beginning of 2021. On the basis of the discussions at these meetings the Board of Directors will subsequently update the Group's policies and guidelines.



Credit risk

Credit and client policy

The Group's overall credit risk is managed according to policies and limits determined and adopted by the Board of Directors.

The Board of Directors lays down the general framework for credit granting and the largest exposures are submitted on a regular basis to the Board of Directors for approval or information.

Employees with a lending authority may grant approvals. Such authority is adjusted to the employee's position. The lending authority is risk-based, ie a higher risk means reduced lending authority.

Retail clients

Credit granting to retail clients is based on the client's disposable amount, wealth and leverage (defined as total household debt divided by household personal income) as well as knowledge of the client.

The objective is that the majority of retail client exposures are approved by the client's branch and that the remaining client exposures are approved by specially appointed heads of credit. Consequently exposures where the client has negative assets of more than DKK 100,000 are approved by heads of credit. Major exposures and exposures with an increased risk are reviewed centrally by Credits.

Corporate clients

As a rule corporate clients are served by the regional head office or by special corporate departments. The Group's largest and most complex exposures are handled by Corporate & Institutional Banking. The objective is that all small corporate exposures with satisfactory credit quality are approved at regional level. Medium-size and major exposures are approved centrally by Credits, the Group Executive Management or the Board of Directors.

The Group's credit-related decisions are based on a systematic and structured review of the client's circumstances and industry affiliation. The review is based on all accessible information, including industry analyses and financial analyses, and also comprises an assessment of the client's forward-looking business plan and its risk and feasibility.

Credit activities

Credit activities are conducted partly in the retail and corporate departments and partly centrally in Credits. As described below, the Group has developed rating models to assess risks to retail clients, corporate clients and investment clients.

The Group's credit activities are an active element in the Group's efforts to increase its income by:

- maintaining and increasing the portfolio of profitable and promising retail, corporate and investment clients

- maintaining and increasing clients' business volume with the Group through a balanced composition of:
 - loans and advances and guarantees
 - deposits
 - payment services transactions
 - trading in securities etc
 - financial instruments
- avoiding/reducing risk of loss by implementing action plans for weak exposures. These action plans involve reducing the Group's exposure as well as hedging risks by securing additional collateral.

Risks in connection with lending must be precalculated on an informed and well-founded basis.

The Group's credit exposure is in particular to clients in Denmark and Northern Germany.

Particular focus is given to weak exposures. The objective is to ensure that the Group's action plans for these exposures are evaluated and adjusted on an ongoing basis to reduce the risk of loss.

Moreover Credits has a department which is assigned to exposures with a significant risk of loss. These exposures are closely monitored and Credits is actively involved in preparing solutions to mitigate the Group's credit risk.

On the basis of a risk-based approach Credit Control ensures that procedures and lending authorities are complied with as well as checks the Bank's systems and business procedures in the credit area. Moreover Credit Control, which is a separate department, follows up that any errors detected are corrected and reports to the Bank's management about its activities.

Risk Follow-up

Risk Follow-up is part of the division Risk.

By means of analyses and random sampling Risk Follow-up monitors the credit quality of exposures, registrations, impairment charge calculations as well as the compliance with policies and business procedures in general.

This process involves research and analyses using information from the Group's database of all exposures.

Moreover Risk Follow-up conducts regular credit quality analyses of the Group's new exposures as well as regular random sampling of the retail and corporate client portfolios.

Finally Risk Follow-up evaluates on the basis of a credit expert assessment whether the Group's rating models rank clients correctly.

Notes - Risk Management

Credit risk - continued

Collateral

The Group aims to mitigate the risk on individual exposures by way of charges on assets, netting agreements and guarantees.

The most frequent types of charges include mortgages and charges on financial assets (shares, bonds and units).

The Group receives different kinds of guarantees for exposures. Many of these are provided by companies or individuals who have a group relationship with the debtor.

The Group assesses on an ongoing basis the value of collateral provided. The value is determined as the expected net proceeds on realisation.

The 2 tables below illustrate the breakdown of collateral by type and rating category respectively.

Collateral received and types of collateral

DKKm	2020	2019
Loans and advances at fair value	17,961	12,602
Loans and advances at amortised cost	60,229	60,554
Guarantees	19,477	20,060
Credit exposure for accounting purposes	97,667	93,216
Collateral value	65,900	56,179
Total unsecured	31,767	37,037
Types of collateral		
Real property	10,906	8,386
Financial collateral	23,207	17,776
Lease assets, mortgages etc	9,283	7,038
Floating charges, operating equipment etc	8,132	7,402
Guarantees	1,286	985
Other items of collateral	560	446
Total collateral used	53,374	42,033
Particularly secured transactions (mortgage guarantees)	12,526	14,146
Total	65,900	56,179

In the event that the Group uses collateral that is not immediately convertible into liquid holdings, it is the Group's policy to dispose of such assets as quickly as possible. In 2020 repossessed equipment in connection with non-performing exposures amounted to DKK 21m (2019: DKK 24m). Lease assets are assessed and depreciated on an ongoing basis. As a result the calculated collateral as regards the Group's leasing activities will decline during periods of lower lease asset prices.

Collateral has increased by DKK 9,721m from DKK 56,179m in 2019 to DKK 65,900m in 2020. DKK 7,339m of the rise is attributable to the portfolio acquired from Alm. Brand Bank, of which DKK 2,974m concerns particularly secured transactions.

Mortgages on real property have gone up by DKK 2,520m from DKK 8,386m in 2019 to DKK 10,906m in 2020. The increase is primarily attributable to the rise in arranged mortgage loans (Totalkredit) as well as the portfolio acquired from Alm. Brand Bank.

Financial collateral has increased by DKK 5,431m from DKK 17,776m in 2019 to DKK 23,207m in 2020, which is primarily attributable to the rise in loans and advances at fair value which have gone up by DKK 5,359m. Loans and advances at fair value are repo loans and advances with financial collateral.

Credit risk – continued

The table below shows the size of loans and advances, guarantees as well as collateral according to rating category. The value of collateral is assessed relative to loans and advances and guaran-

tees. Excess collateral is not included in the calculation of collateral. 67.5% (2019: 60.3%) of the Group's loans and advances and guarantees after impairment charges is covered via collateral.

Collateral by rating category

DKKm	2020			
Rating category	Loans/advances	Guarantees	Collateral value	Unsecured
1	7,630	6,451	13,325	756
2	22,364	3,487	13,987	11,864
3	16,812	3,189	10,111	9,890
4	15,639	1,218	11,859	4,998
5	6,057	751	4,653	2,155
6	1,827	301	1,265	863
7	578	63	268	373
8	394	55	231	218
9	2,765	315	1,547	1,533
Default	615	71	310	376
STD*/NR	5,558	3,576	8,344	790
Total	80,239	19,477	65,900	33,816
Impairment of loans and advances	2,049			2,049
Total	78,190	19,477	65,900	31,767

* The portfolio acquired from Alm. Brand Bank is comprised by STD.

Financial counterparties

Trading in securities, currencies and derivatives, as well as payment services etc involve exposure to financial counterparties in the form of delivery risk or credit risk.

Delivery risk is the risk that the Group does not receive payments or securities in connection with the settlement of securities or currency transactions equalling the securities or payments delivered by the Group.

Credits, the Group Executive Management and the Board of Directors grant delivery risk lines and credit risk lines to financial counterparties. Based on the risk profile of the individual counterparty, rating, earnings and capital position as well as size are assessed. Risks and lines to financial counterparties are monitored continuously.

The Group participates in an international foreign exchange settlement system, CLS®, which aims to reduce delivery risk. In CLS® payment is made on the net position for each currency and only one amount for each currency is paid or received. In addition this net exposure is only to one counterparty, who is the Group's partner in the system.

The Group aims to mitigate credit risk to financial counterparties in many ways, eg by concluding netting agreements (ISDA and GMRA agreements). Moreover the Group has entered into agreements (CSA agreements) with all significant counterparties to ensure credit risk mitigation of derivatives. Exposures are calculated on a daily basis after which the parties settle collateral. Consequently exposures are reset in all material respects on a daily basis. The agreements are managed by Transaction Banking.

Notes – Risk Management

Market risk

Market risk is the risk that the market value of the Group's assets and liabilities will be affected as a result of changes in market prices.

Assuming market risk is considered a natural and integral part of all-round banking. Assuming risk must be on a conscious and well-documented basis. To the extent possible, risk should be assumed in products which offer a possibility of eliminating or mitigating risk at short notice.

Interest rate and foreign exchange risks deriving from deposits by and loans and advances to the Group's clients are hedged on an ongoing basis and are consequently not used for position-taking.

For further information reference is made to note 36.

The Group operates with the following types of market risk:

- Interest rate risk
- Credit spread risk
- Equity risk
- Foreign exchange risk
- Other market risks.

For security and control reasons, the Board of Directors emphasises that the Group's market risk is subject to central decision-making and management. Consequently the Group's most significant interest rate, foreign exchange and equity risks must be assumed by the parent.

The Board of Directors has determined the Group's risk tolerance as follows: medium as regards interest rate risk and low as regards the other types of market risk.

Market risk is managed by Sydbank Markets according to policies and limits determined and adopted by the Bank's Board of Directors. The Group Executive Management has passed on the overall limits from the Board of Directors to Sydbank Markets and Treasury. Sydbank Markets manages trading and market making as regards the Group's clients and financial counterparties. Treasury manages the Group's long-term interest rate positions and hedging, including the Group's primary liquidity positions as well as liquidity generation. The Group's returns in Sydbank Markets and Treasury appear from "Segment reporting" (note 5). Treasury has primarily interest rate risks and credit spread risks.

Middle Office in Transaction Banking as well as Risk continuously monitor the individual risk areas and provide management with extensive reporting on a regular basis.

Interest rate risk

Interest rate risk comprises the Group's total risk of loss resulting from interest rate changes in financial markets.

The Group uses a cash flow model to determine the interest rate risk of fixed-rate positions. A duration model is used to calculate the interest rate risk of Danish callable mortgage bonds. Interest rate risk makes up the bulk of the Group's overall market risk.

In accordance with the Danish FSA's method of calculation, interest rate risk is calculated as the change in market values at a parallel shift in the interest rate level of plus 1 percentage point in all currencies and at 31 December 2020 it represents DKK 171m or 1.7% of the Group's CET1 capital.

Interest rate risk by maturity and currency

DKKm	0-1 yr	1-2 yrs	2-3 yrs	> 3 yrs	Total 2020	Total 2019
DKK	94	2	23	57	176	187
EUR	7	(5)	(7)	(9)	(14)	(22)
EUR/DKK	101	(3)	16	48	162	165
Other	(1)	2	1	7	9	4
Total 2020	100	(1)	17	55	171	
Total 2019	86	(12)	14	81		169

The Group's interest rate risk is predominantly attributable to positions with a maturity of less than 1 year. The Group has no significant interest rate risk apart from EUR/DKK.

The Group's interest rate risk is – in line with 2019 – positive, ie the Group's profit will be adversely affected by an interest rate increase.

The Danish FSA's method of calculation allows full set-off between different currencies, maturities and yield curves. The Group is aware of the risk of these assumptions and monitors these risks separately on an ongoing basis.

Market risk – continued

The bulk of the Group's interest rate risk at 31 December 2020 is attributable to the Group's positions in Treasury.

Interest rate risk – Sydbank Markets and Treasury

DKKm	2020			2019		
	Sydbank Markets	Treasury	Total	Sydbank Markets	Treasury	Total
DKK	81	95	176	111	76	187
EUR	(22)	8	(14)	(22)	0	(22)
EUR/DKK	59	103	162	89	76	165
Other	6	3	9	2	2	4
Total	65	106	171	91	78	169

Credit spread risk

Credit spread risk is the risk that the credit spreads of the bonds in the bond portfolio change to the detriment of the Group.

The Group determines its credit spread risk on the basis of the following credit spread changes:

- Government bonds 25bp
- Mortgage bonds 50bp
- Other high-yield bonds 100bp.

The Group's credit spread risk makes up DKK 277m at 31 December 2020 and is included when determining the solvency need.

Credit spread risk by bond type

DKKm	2020	2019
Mortgage credit	216	272
Government	8	8
Other	53	41
Total	277	321

Equity risk

The Group's portfolio of shares and holdings in associates represents DKK 2,582m at 31 December 2020 (2019: DKK 2,358m), including equity investments totalling DKK 2,409m (2019: DKK 2,199m).

In the event of a 10% change in share prices, profit before tax will be affected by DKK 244m (2019: DKK 220m) as well as other comprehensive income by DKK 15m (2019: DKK 16m). Equity investments represent DKK 226m (2019: DKK 204m) and DKK 15m (2019: DKK 16m) respectively.

Foreign exchange risk

As in previous years the Group's foreign exchange risk was insignificant in 2020 and consequently a 10% change in foreign exchange rates against DKK at 31 December 2020 will not affect profit before tax significantly.

Other market risks

The Group does not have any other significant market risks at 31 December 2020.

Notes – Risk Management

Liquidity risk

Liquidity risk is the risk that the Group cannot meet its payment obligations as they mature or is only able to do so via disproportionately large funding costs.

The Bank's Board of Directors has adopted a liquidity risk policy which sets out the framework for the Group's liquidity management, including operational targets for the Group's risk tolerance as well as requirements for the funding structure, liquidity buffer calculations and stress tests. Moreover the liquidity risk policy sets out requirements for employee competences, contingency plans and reporting as well as determines the framework for asset encumbrance and allocation of the Group's liquidity costs.

Targets and policies:

- Consistently strong and stable deposit base which ensures stability in the long-term funding of the Group's lending activities.
- Prudent funding of long-term loans and advances.
- Maintenance of high ratings.
- Active participation in international money markets as well as access to international capital markets through the application of loan programmes. Coupled with a high rating this ensures that the Group has uninterrupted access to a diversified and competitive funding basis.
- Maintenance of a liquidity buffer which together with prudent management of the run-off profile of funding ensures that the Group's operating activities do not depend on capital market funding. In other words the liquidity buffer may counterbalance the effects of an adverse liquidity situation in the short and medium term.

The Bank's Board of Directors determines the Group's risk tolerance as regards liquidity risk. Operational targets for the Group's risk tolerance comprise:

- A minimum share of stable funding by way of deposits from non-financial counterparties and equity.
- A funding ratio (stable funding incl senior issues with maturities over 1 year relative to loans and advances).
- Liquidity Coverage Ratio (LCR).
- A 3-month stress scenario (LCR3) calculated according to the excess liquidity coverage benchmark of the Supervisory Diamond.
- Positive liquidity in 12 months in the Group's combined scenario.
- Liquidity Coverage Ratio euro (LCR EUR).
- Requirements regarding funding of long-term loans and advances.

LCR, LCR3 and the Group's combined scenario are based on a regulatory cautiously determined liquidity buffer. The buffer must be sufficient to survive a 30-day stress scenario (LCR) according to regulatory guidance, a stress scenario (LCR3) calculated according to the excess liquidity coverage benchmark, and an internal scenario (combined scenario) without market funding possibilities and with significant run-off of the funding of deposits. The LCR's 30-day horizon specifies a run-off of the Group's exposures while taking into account counterparties, funding size, hedging and maturity. Consequently the most stable deposits (small deposits covered by a guarantee scheme) are favoured relative to large deposits, in particular large deposits from businesses and financial counterparties.

LCR (DKKbn)	2020	2019
Total liquidity buffer	51.3	37.2
Net cash outflows	24.4	21.4
LCR (%)	210	174

The Group has met the regulatory LCR requirement of 100% throughout the year and its excess cover is significant at 31 December 2020.

Funding ratio (DKKbn)	2020	2019
Equity and subordinated capital	14.4	13.6
NPS loans with maturities over 1 year	9.6	7.4
Stable deposits	87.6	77.3
Total stable funding	111.6	98.3
Loans and advances (excl reverse)	60.2	60.6
Funding ratio (%)	185	162

As shown above the Group's stable funding exceeded the Group's loans and advances by DKK 51.4bn at 31 December 2020 (2019: DKK 37.7bn).

The maturity profiles of the Group's debt exposures appear from note 40.

The Board of Directors' requirements regarding the funding structure are based on the following:

- The Group's funding must be diversified so as to minimise to the greatest extent possible reliance on individual sources.
- Compliance with the LCR and the funding ratio target ensures a prudent funding profile and an adequate level of stable non-market-based funding and longer-term market-based funding.

Liquidity risk – continued

- The LCR and the funding ratio ensure that the higher the level of stable deposits, the lower the necessary level of long-term senior funding. In contrast a falling level of stable deposits will increase the need for long-term senior funding.
- Short-term market funding and funding from financial counterparties must predominantly be used to fund short-term placements and investments in securities which can be realised or which are eligible as collateral with Danmarks Nationalbank or the repo market.

The Group's risk policy states that:

- asset encumbrance may only occur as part of ordinary banking operations and includes securities provided as collateral with the central bank and in the repo market, collateral for clearing transactions as well as collateral under CSA agreements
- asset encumbrance may be by way of deposits with credit institutions or securities
- moreover asset encumbrance may be by way of funding of mortgage-like loans via external counterparties.

The asset encumbrance appears from note 37.

On 18 September 2018 the Group issued non-preferred senior loans of EUR 500m (DKK 3.7bn) with a maturity of 5 years and on 4 February 2019 a further EUR 500m (DKK 3.7bn) with a maturity of 3 years was issued. On 25 November 2020 additional issues were made: DKK 1,000m, NOK 1,000m and SEK 600m - all with a maturity of 4 years.

With these issues the Group complies with the MREL requirement as determined by the Danish FSA.

Notes – Risk Management

Operational risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk.

The Group collects data on all operational events and classifies them in 4 main groups:

- Operational events without loss
- Operational events, IT
- Operational events, internal
- Operational events, compensation.

Management receives reporting on the basis of these data. Furthermore they form the basis for analyses and research for the purpose of identifying systematics as well as improving on an ongoing basis internal controls, business procedures and routines to minimise the number of errors and the risk of loss.

Moreover the system for collecting data on operational events ensures compliance with the Group's business procedures for approval, information, accounting and payment, if any.

The Group reviews all business units annually with the aim of identifying, describing and analysing the largest individual risks where the Group may incur significant losses as well as the relevant business procedures and routines for the purpose of minimising such risks.

A risk analysis of operational risks conducted in autumn 2020 shows that the Group has a number of scenarios in which the risk of loss exceeds DKK 5m. At the same time it must be expected that such scenarios – despite risk mitigation by way of for instance business procedures and control environment, requirements as regards access and authorisation as well as insurance cover – will occur within a foreseeable time horizon.

The Group's management has reviewed the extent of such loss scenarios and related risks.

The Group applies the Standardised Approach to calculate the capital requirement in accordance with CRR.

IT security

IT supports a large part of the systems and tools used by the Bank's customers and advisers. This function is strengthened by the increased digitization in Sydbank which customers experience by way of increased self-service and improved online services.

Consequently IT security is a significant aspect of the Bank's operational risk.

The Group regularly reviews this area – on a strategic level, on an operational level and on a system level if the system is business-critical. As a result requirements have been specified as regards confidentiality, accessibility and integrity of the individual elements of IT security. These requirements are adjusted on an ongoing basis to new statutory requirements and regulations. There is still considerable focus on the additional requirements resulting from the entry into force of the General Data Protection Regulation in May 2018.

The Board of Directors specifies and formulates requirements as regards IT risk management in the IT security policy and IT contingency policy and these policies form the basis of the IT security efforts. As part of the IT security efforts a risk analysis is prepared annually in which the objectives regarding the confidentiality, accessibility and integrity of each system are assessed in terms of probability, maturity of preventive and corrective administrative and technical measures as well as implications. As a result of this assessment a risk score is assigned to each system.

The Board of Directors reviews, updates and approves the 2 policies on the basis of the risk analysis.

In the policies the Board of Directors assesses the current risk scenario and against this background specifies the requirements for eg accessibility and reliability in terms of the different elements of IT supply, including systems and data. As a result of these requirements, a significant part of the Group's use of IT has been mirrored to minimise the risk of operational disruptions.

The IT security policy as well as the IT contingency policy apply to all aspects of the Bank's use of IT and consequently also where IT or parts of it has been outsourced. As a result Sydbank's collaboration with Bankdata, including JN Data, which is responsible for the day-to-day operations, is also comprised by this IT security process.

Contingency exercises are performed on a regular basis to ensure that the Bank is able to tackle any events that may arise.

In accordance with current anti-terrorism and anti-money laundering rules the Bank must ensure that it has proof of identity of its customers. Moreover the Bank performs routine testing of transactions submitted through its systems. Suspicious transactions are reported.

Notes - Total Capital

Total capital

The Bank is a licensed financial services provider and must therefore comply with the capital requirements determined by the EU.

The capital adequacy rules require a minimum capital level of 8.0% of the risk exposure amount plus any additional individual capital needed. Detailed rules regulate the calculation of capital as well as the risk exposure amount.

Total capital is made up of T1 capital and T2 capital. T1 capital comprises equity and AT1 capital.

The difference between shareholders' equity and total capital is shown in note 3.

The Group's subordinated capital, AT1 capital and T2 capital may, subject to certain conditions, be included in total capital. The conditions are specified in CRR. The Group's subordinated capital is shown in note 33.

The Group has determined capital targets and considers a CET1 ratio of 14.5% as well as a capital ratio of 18.5% as being satisfactory for the years ahead.

The international rating agency Moody's regularly assesses the Group's ability to honour its payment obligations. The rating targets are an essential part of the Group's capital targets because good ratings give the Group access to the capital markets.

In 2020 the Group met regulatory capital requirements as well as internal capital targets.

Management Statement

Today we have reviewed and approved the 2020 Annual Report of Sydbank A/S.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the parent company financial statements are prepared in accordance with the Danish Financial Business Act. Furthermore the consolidated financial statements are prepared in compliance with Danish disclosure requirements for listed financial companies.

The management's review has been prepared in accordance with the provisions of the Danish Financial Business Act.

In our opinion the consolidated financial statements and the parent company 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 December 2020 and of the results of the Group's and the parent company's operations and consolidated cash flows for the financial year 1 January – 31 December 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.

We propose that the Annual Report be submitted for adoption by the AGM.

Aabenraa, 2 March 2021

Group Executive Management

Karen Frøsig
(CEO)

Henning Dam

Bjarne Larsen

Jørn Adam Møller

Board of Directors

Lars Mikkelsen-Jensen
(Chairman)

Jacob Chr. Nielsen
(Vice-Chairman)

Carsten Andersen

Henrik Hoffmann

Søren Holm

Kim Holmer

Janne Moltke-Leth

Jarl Oxlund

Gitte Poulsen

Susanne Schou

Jon Stefansson

Jørn Krogh Sørensen

Auditors' Reports

Internal Audit

To the shareholders of Sydbank A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Sydbank A/S for the financial year 1 January – 31 December 2020, which comprise an income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group and the Company, as well as a cash flow statement for the Group. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed financial institutions and the parent company financial statements have been prepared in accordance with the Danish Financial Business Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Company's assets, liabilities and financial position at 31 December 2020 and of the results of the Group's and the Company's operations and the Group's cash flows for the financial year 1 January – 31 December 2020 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed financial institutions in respect of the consolidated financial statements and in accordance with the Danish Financial Business Act in respect of the parent company financial statements.

Basis for opinion

We conducted our audit in accordance with the Danish Financial Supervisory Authority's Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups and in accordance

with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark.

We planned and performed our audit to issue an auditor's report that includes a reasonable assurance conclusion about whether the consolidated financial statements and the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error. We have participated in the audit of all material and risky areas.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on the Management's review

Our opinion on the consolidated financial statements and the parent company financial statements does not cover the Management's review, and we do not express any assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent company financial statements we have read the Management's review and, when doing so, considered whether the Management's review is materially inconsistent with the consolidated financial statements or the parent company financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Based on the work we have performed, we concluded that the Management's review is in accordance with the consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements in the Danish Financial Business Act. We did not identify any material misstatements of the Management's review.

Aabenraa, 2 March 2021

Poul-Erik Winther
Head of Internal Audit

To the shareholders of Sydbank A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Sydbank A/S for the financial year 1 January – 31 December 2020, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of listed financial companies, and the parent company financial statements are prepared in accordance with the Danish Financial Business Act.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group at 31 December 2020 and of the results of the Group's operations and cash flows for the financial year 1 January – 31 December 2020 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of listed financial companies.

Further, in our opinion the parent company financial statements give a true and fair view of the financial position of the Parent Company at 31 December 2020 and of the results of the Parent Company's operations for the financial year 1 January – 31 December 2020 in accordance with the Danish Financial Business Act.

Our opinion is consistent with our long-form audit report to the Audit Committee and the Board of Directors.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

To the best of our knowledge, we have not provided any prohibited non-audit services as described in article 5(1) of Regulation (EU) no. 537/2014.

Appointment of auditor

We were initially appointed as auditor of Sydbank A/S on 10 May 1990 for the financial year 1990. We have been reappointed annually by resolution of the general meeting for a total consecutive period of 31 years up until and including the financial year 2020.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year 2020. These matters were addressed during our audit of the financial statements as a whole and in forming our opinion thereon. We do not provide a separate opinion on these matters. For each of the below matters, the description of how the matter was addressed in our audit is given in that context.

We have fulfilled our responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section, including in relation to the key audit matters below. Our audit included the design and performance of procedures to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements as a whole.

Measurement of loans and guarantees

Risk: A substantial amount of the company's assets consist of loans to customers (36% of the consolidated assets) which are subject to impairment risks due to the customer's lack of ability to pay. In addition, the company offers guarantees and other financial products that also imply risk of losses.

Auditors' Reports

Independent Auditors' Report

The bank's measurement of impairment charges on loans and guarantees implies significant amounts and a high level of judgement applied by Management. This concerns especially staging assessment and the assessment of indications of credit impairment, probability of default, collateral valuation and the customer's ability to pay in case of default.

Large loans are evaluated individually while impairment of smaller loans and loans with low risk is based on models, where methods and assumptions used for estimation of expected credit loss are based on judgements made by Management.

The bank recognises additional impairment provisions, based on management judgement, in situations where the model based and individually determined impairment provision not yet reflects that currently expected credit losses, e.g. the effect of COVID-19. These management estimates are described in note 2.

Audit approach: Our audit comprised processes for monitoring of credit exposures, staging assessment and recording of indications of credit impairment. Through analyses and sample tests and by review of the company's procedures we have verified that the estimation of expected credit losses are recognized in accordance with the accounting policies.

The audit comprised the largest and most risky loans as well as any foreclosed exposures. For model based impairments we have evaluated the assumptions and methodology applied, as well as the judgements applied by Management in addition to the individual and model based impairments, including in particular the additions to impairments made to cover the effects of COVID-19.

Our audit of management's estimates, which are made in addition to the model based and individual impairments, included an assessment of the bank's basis for the methods and assumptions.

Also we have reviewed and tested that the disclosures on loans, impairment charges and credit risk meet the relevant accounting rules (note 2, 14 and 18).

Business combination

Risk: On 30 November 2020 the bank acquired 100% of the share capital of Alm. Brand Bank A/S, including the subsidiaries Alm. Brand Leasing A/S and Ejendomselskabet AB ApS. The acquired activities are included in the consolidated financial

statements of Sydbank from the acquisition date based on the estimated fair values of the acquired assets and liabilities.

The accounting treatment of the acquisition is a key audit matter as management exercises significant estimates in connection with:

- Determination of the fair value of the acquired assets and liabilities, including particularly the acquired customer relationships, loans and other credit exposures.
- Accounting treatment of acquired loans and other credit exposures, including staging and subsequent measurement.
- Presentation of the acquisition in the consolidated financial statements in accordance with the relevant accounting rules.

Reference is made to note 2, 18 and 47.

Audit: We have audited the purchase accounts prepared by the bank as at 30 November 2020, including the measurement of fair value of acquired assets and liabilities. In this context we have assessed if the principles and methods applied are justified and in accordance the accounting rules. For acquired loans and other credit exposures we have reviewed the staging, fair value and subsequent measurement at 31 December 2020. Further, we have verified that the presentation of the acquisition in the consolidated financial statements is in accordance with the IFRS requirements.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Business Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the require-

Independent Auditors' Report

ments of the Danish Financial Business Act. We did not identify any material misstatement of the Management's review.

Independent Auditors' Report

Management's responsibilities for the financial statements
Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of listed financial companies and for the preparation of parent company financial statements that give a true and fair view in accordance with the Danish Financial Business Act.

Moreover, Management is responsible for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditors' Reports

Independent Auditors' Report

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Aabenraa, 2 March 2021

EY

Godkendt Revisionspartnerselskab

CVR-nr. 30 70 02 28

Lars Rhod Søndergaard
State Authorised Public Accountant
MNE no. 28632

Anne J. N. Tønsberg
State Authorised Public Accountant
MNE no. 32121

Board of Directors



Chairman

Lars Mikkjelgaard-Jensen

Former CEO and managing director

Born: 5 August 1954

Education: MSc (Economics)

Elected to Board of Directors: 2015

Expiry of current term of office: 2021

Independent: Yes

Committee memberships: Member of Digitization Committee and Risk Committee.

Directorships and other offices:

M.J. Grønbech & Sønner Holding A/S, board member

Industripension Holding A/S, board member

Industriens Pensionsforsikring A/S, board member.

Specific competences: IT/digital, robotics, management, strategy and business development, and macroeconomics.

Number of Sydbank shares at year-end 2020: 5,000



Vice-Chairman

Jacob Chr. Nielsen

CEO

Born: 7 June 1973

Education: Graduate Diploma in Business Administration, MBA

Elected to Board of Directors: 2014

Expiry of current term of office: 2021

Independent: Yes

Committee memberships: Member of Audit Committee and Nomination Committee.

Directorships and other offices:

Erhvervshus Sydjylland, CEO

Work Life Stay, board member.

Specific competences: Management, accounting, insurance, industry, finance and auditing.

Number of Sydbank shares at year-end 2020: 77



Board member

Janne Moltke-Leth

Executive Manager

Born: 4 August 1966

Education: MSc in Business, Language and Culture; Graduate Diploma in Organisation

Elected to Board of Directors: 2016

Expiry of current term of office: 2021

Independent: Yes

Committee memberships: Chairman of Nomination Committee and member of Risk Committee.

Directorships and other offices:

Hotel Sanders København A/S, CEO

Krebs' Skole, vice-chairman.

Specific competences: Management, strategy and business development, marketing and communication, flow analysis, and sales and distribution.

Number of Sydbank shares at year-end 2020: 222



Board member

Susanne Schou

Deputy Chief Executive

Born: 24 April 1964

Education: –

Elected to Board of Directors: 2018

Expiry of current term of office: 2021

Independent: Yes

Committee memberships: Chairman of Digitization Committee and member of Nomination Committee.

Directorships and other offices:

Swienty A/S, board member

Sydbank Fonden, board member.

Specific competences: Business development, change management and strategy development.

Number of Sydbank shares at year-end 2020: 110

Board of Directors



Board member

Gitte Poulsen

CEO

Born: 5 August 1967

Education: –

Elected to Board of Directors: 2019

Expiry of current term of office: 2021

Independent: Yes

Committee memberships: Chairman of Remuneration Committee and member of Audit Committee.

Directorships and other offices:

KPC Invest A/S, CEO

KPC Group A/S, chairman

Gitte Poulsen Holding ApS, executive manager

A/S af 20.02.2014, chairman

KPC Finans III A/S, chairman

KPC Finans II A/S, chairman

KPC Finans I A/S, chairman

QC ApS, CEO

KPC Herning ApS, board member

KPC København A/S, board member

KPC Ejendomsudvikling A/S, board member

KPC Holding 2019 A/S, board member

Ejendomsselskabet af 29.06.2006 A/S, chairman

Gitte Poulsen Holding 2019 ApS, executive manager.

Specific competences: Management, strategy and business development.

Number of Sydbank shares at year-end 2020: 5,330



Board member

Jon Stefansson

Attorney

Born: 27 June 1973

Education: Attorney

Elected to Board of Directors: 2019

Expiry of current term of office: 2021

Independent: Yes

Committee memberships: Member of Risk Committee and Remuneration Committee.

Directorships and other offices:

Michael Nissen Holding ApS, chairman

P. Christensen A/S, chairman

P. Christensen Carranty A/S, chairman

Moravia Invest A/S, chairman

P. Christensen Ejendomme A/S, chairman

P. Christensen Biludlejning A/S, chairman

Andersen Partners International ApS, board member

Andersen Partners Ejendomsadministration P/S, board member

A Tower ApS, board member

Andersen Partners Advokatpartnerselskab, board member

Kai D Fonden, chairman

P. Christensen, Odense, Holding A/S, chairman.

Specific competences: Compliance/law, management, strategy and business development.

Number of Sydbank shares at year-end 2020: 389



Board member

Henrik Hoffmann

Former head of credits

Born: 15 August 1958

Education: Banking, Graduate Diploma in Foreign Trade

Elected to Board of Directors: 2020

Expiry of current term of office: 2021

Independent: Yes

Committee memberships: Chairman of Risk Committee.

Directorships and other offices:

LFI A/S (Landbrugets Finansieringsinstitut A/S), executive manager and board member

Accunia Fondsmæglerselskab A/S, board member.

Specific competences: Financial business management, risk and credit management, finance, strategy and business development.

Number of Sydbank shares at year-end 2020: 750



Board member

Søren Holm

Former group executive

Born: 15 November 1956

Education: MSc (Economics)

Elected to Board of Directors: 2020

Expiry of current term of office: 2021

Independent: Yes

Committee memberships: Chairman of Audit Committee.

Directorships and other offices:

European Banking Authority, BSG member.

Specific competences: Financial business management, financial management, accounting, risk and credit management, CSR, issuance of securities, auditing, strategy and business development, and governance.

Number of Sydbank shares at year-end 2020: 1,000

Board of Directors



Board member
Carsten Andersen
Account Manager, Corporate Clients
Born: 3 September 1984
Education: Academy Profession (AP) Degree in Financial Advice – banking, trained estate agent, Graduate Diploma in Business Administration
Elected to Board of Directors: 2018
Expiry of current term of office: 2022
Independent: No
Elected by the employees

Committee memberships: Member of Audit Committee.

Directorships and other offices:
Sundeved Vælgerforening, board member
Kommuneforeningen for Venstre i Sønderborg, board member.

Specific competences: Credit granting, finance, economics and accounting.

Number of Sydbank shares at year-end 2020: 1,684



Board member
Kim Holmer
AML Administrative Officer
Born: 15 February 1964
Education: Banking, Graduate Diploma in Business Administration
Elected to Board of Directors: 2018
Expiry of current term of office: 2022
Independent: No
Elected by the employees

Committee memberships: Member of Digitization Committee.

Directorships and other offices: –

Specific competences: Banking and finance, strategy development and organisational development.

Number of Sydbank shares at year-end 2020: 1,819



Board member

Jarl Oxlund

Chairman of Sydbank Kreds

Born: 29 April 1967

Education: Banking, Graduate Diploma in Business Administration, MSc (Organisational Psychology)

Elected to Board of Directors: 2014

Expiry of current term of office: 2022

Independent: No

Elected by the employees

Committee memberships: Member of Digitization Committee.

Directorships and other offices:

Financial Services Union in Denmark, member of executive council

Sydbank Kreds/Financial Services Union in Denmark, chairman Sydbank Kreds.

Specific competences: Accounting, banking products, credit risks and organisation.

Number of Sydbank shares at year-end 2020: 1,692



Board member

Jørn Krogh Sørensen

Credit Consultant

Born: 16 October 1965

Education: Banking, Graduate Diploma in Business Administration, Master in Leadership

Elected to Board of Directors: 2018

Expiry of current term of office: 2022

Independent: No

Elected by the employees

Committee memberships: Member of Remuneration Committee.

Directorships and other offices: -

Specific competences: Credits, finance, risk management, accounting and management.

Number of Sydbank shares at year-end 2020: 3,714

Group Executive Management



CEO

Karen Frøsig

Born: 23 September 1958

Group Executive Management member since: 2008

CEO since: 2010

Directorships:

Sydbank Fonden, board member

BOKIS A/S, board member

Ejendomsselskabet af 1. juni 1986 A/S, chairman

National Banks in Denmark, chairman

Syd Administration A/S, chairman

Foreningen Bankdata, chairman

Finance Denmark, board member

PRAS A/S, vice-chairman

BI Holding A/S, board member

Musikhuset Esbjerg, Fond, board member

FR I af 16. september 2015 A/S, board member

Museum Sønderjylland, board member

Kunsten ApS, board member

Syd ABB A/S, chairman

Alm. Brand Leasing A/S, chairman.



Deputy Group Chief Executive

Bjarne Larsen

Born: 5 November 1963

Group Executive Management member since: 2013

Directorships:

DLR Kredit A/S, board member

Syd Administration A/S, vice-chairman

Ejendomsselskabet af 1. juni 1986 A/S, board member

Syd ABB A/S, executive manager

Alm. Brand Leasing A/S, board member.



Deputy Group Chief Executive
Jørn Adam Møller
Born: 31 July 1966
Group Executive Management member since: 2019

Directorships:

e-nettet A/S, board member
Syd Administration A/S, executive manager and board member
Ejendomsselskabet af 1. juni 1986 A/S, executive manager and board member
Syd ABB A/S, vice-chairman
Alm. Brand Leasing A/S, vice-chairman.

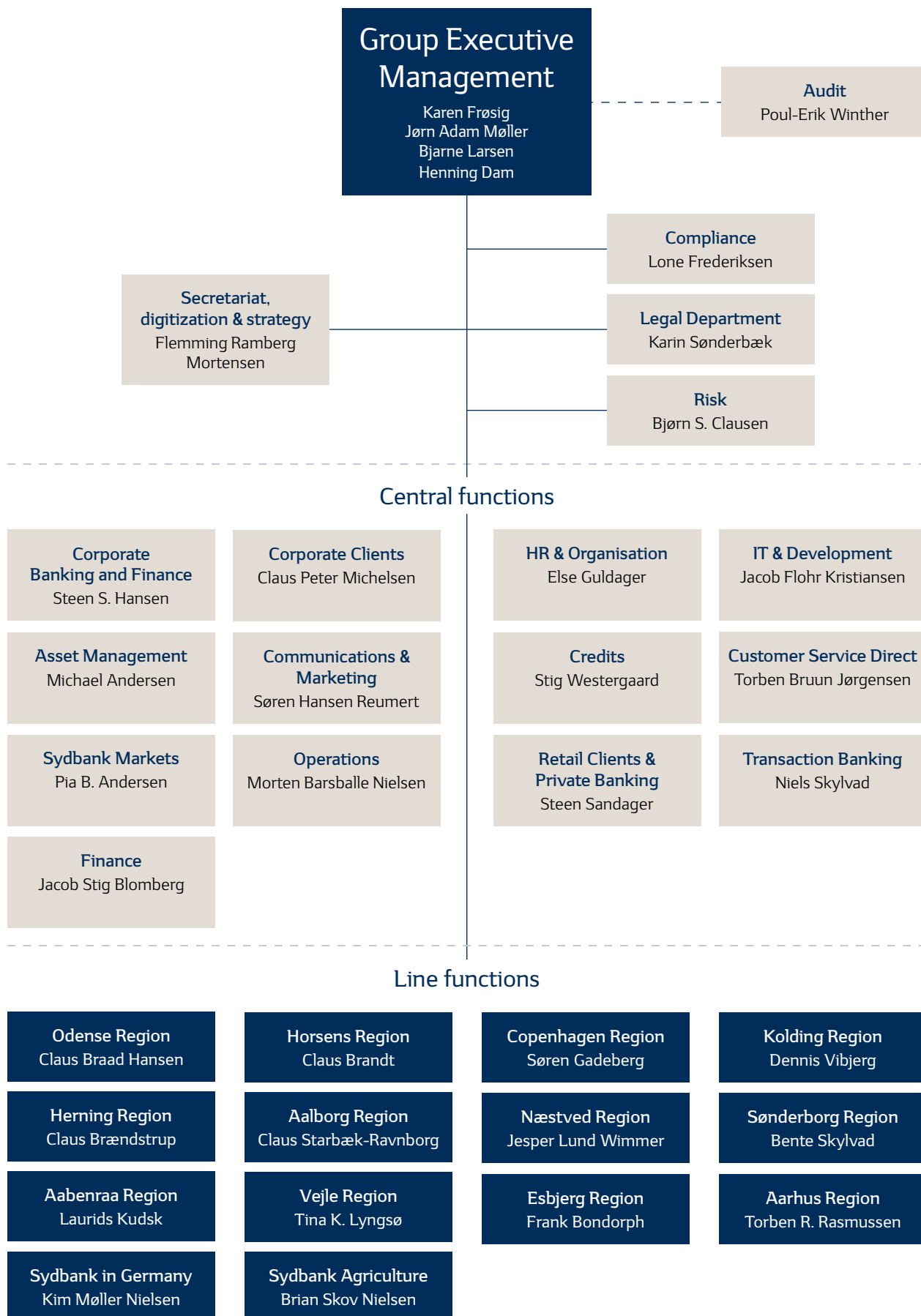


Deputy Group Chief Executive
Henning Dam
Born: 6 September 1969
Group Executive Management member since: 2020

Directorships:

Letpension, board member
Syd ABB A/S, board member
Alm. Brand Leasing A/S, board member.

Organisation



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Sydbank