



Interim Report – Q1

2021

Sydbank Group

Sydbank

Sydbank's Interim Report – Q1 2021

Strong and promising start to 2021

Q1 2021 – highlights

- Profit of DKK 291m equals a return on equity of 9.5% p.a. after tax.
- Core income of DKK 1,105m is 15% higher compared to the same period in 2020.
- Costs (core earnings) are 16% higher compared to the same period in 2020 and constitute DKK 833m.
- Impairment charges for loans and advances represent an income of DKK 81m compared with an expense of DKK 84m in the same period in 2020.
- Bank loans and advances constitute DKK 61.5bn – an increase of DKK 1.3bn in Q1 2021.
- Total credit intermediation amounts to DKK 168.1bn – an increase of DKK 2.5bn in Q1 2021.
- The CET1 ratio has declined by 0.7 percentage points compared to year-end 2020 and constitutes 18.1% excluding profit for the period.

CEO Karen Frøsig comments on Sydbank's Q1 result:

- It is good news that profit for Q1 shows a clear positive trend. Income has increased sharply as a result of the measures implemented to lift earnings, the acquisition of Alm. Brand Bank and a high activity level in financial markets.

CEO Karen Frøsig on the integration of Alm. Brand Bank:

- The integration of Alm. Brand Bank is progressing completely as planned. All branches have been amalgamated with the existing Sydbank branches. In their everyday lives former employees and customers of Alm. Brand Bank are experiencing the Sydbank culture, which is rooted in our underlying philosophy, our core story and our 10 rules to live by.

Board chairman Lars Mikkjelgaard-Jensen on Sydbank's handling of the coronavirus crisis:

- I am pleased that Sydbank has fared well through this past year dominated by Covid-19. The Bank has been very successful in adapting to conditions. Now that society is opening up more and more we expect that our customers will need increased credit facilities.

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.

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Group Financial Highlights

	Q1 2021	Q1 2020	Index 21/20	Full year 2020
Income statement (DKKm)				
Core income	1,105	960	115	3,670
Trading income	73	7	-	278
Total income	1,178	967	122	3,948
Costs, core earnings	833	718	116	2,774
Core earnings before impairment	345	249	139	1,174
Impairment of loans and advances etc	(81)	84	-	47
Core earnings	426	165	258	1,127
Investment portfolio earnings	(21)	(78)	27	(31)
Profit before non-recurring items	405	87	466	1,096
Non-recurring items, net	(32)	(17)	188	(75)
Profit before tax	373	70	533	1,021
Tax	82	15	547	222
Profit for the period	291	55	529	799
Balance sheet highlights (DKKbn)				
Loans and advances at amortised cost	61.5	60.0	103	60.2
Loans and advances at fair value	18.2	19.6	93	18.0
Deposits and other debt	93.0	82.2	113	95.9
Bonds issued at amortised cost	9.6	7.4	130	9.6
Subordinated capital	1.9	1.9	100	1.9
AT1 capital	0.8	0.8	100	0.8
Shareholders' equity	11.8	11.0	107	11.7
Total assets	164.8	150.2	110	165.8
Financial ratios per share (DKK per share of DKK 10)				
Profit for the period	4.7	0.7		12.8
Share price at end of period	170.9	96.1		134.5
Book value	198.5	185.8		197.6
Share price/book value	0.86	0.52		0.68
Average number of shares outstanding (in millions)	59.3	59.2		60.4
Dividend per share	-	-		4.00
Other financial ratios and key figures				
CET1 ratio	18.1	19.0		18.8
T1 capital ratio	19.5	20.6		20.4
Capital ratio	23.0	24.3		24.0
Pre-tax profit as % p.a. of average equity	12.3	2.1		8.6
Post-tax profit as % p.a. of average equity	9.5	1.6		6.6
Costs (core earnings) as % of total income	70.7	74.3		70.3
Return on assets (%)	0.18	0.04		0.51
Interest rate risk	1.2	0.6		1.6
Foreign exchange position	2.0	2.3		1.2
Foreign exchange risk	0.0	0.0		0.0
Liquidity, LCR (%)	211	196		210
Loans and advances relative to deposits	0.6	0.6		0.5
Loans and advances relative to equity	5.2	5.5		5.1
Growth in loans and advances during the period	2.1	(0.9)		(0.5)
Total large exposures	151	139		149
Accumulated impairment ratio	2.6	2.7		2.7
Impairment ratio for the period	(0.10)	0.10		0.10
Number of full-time staff at end of period	2,166	2,004	108	2,286

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

Reference is made to financial ratio definitions in the 2020 Annual Report (page 118).

Highlights

Strong and promising start to 2021

Sydbank's financial statements for Q1 2021 show a pre-tax profit of DKK 373m compared with DKK 70m in the same period in 2020. The increase of DKK 303m is attributable in part to a rise in core income and the fact that impairment charges represent an income of DKK 81m in 2021 compared to an expense of DKK 84m in 2020.

Profit before tax equals a return of 12.3% p.a. on average equity.

Core income constitutes DKK 1,105m compared with DKK 960m in 2020 – an increase of DKK 145m. The increase is in line with the expectations presented in the 2020 Annual Report.

Trading income in Q1 2021 constitutes DKK 73m and is in line with the expectations presented in the 2020 Annual Report.

Total income amounts to DKK 1,178m, which is an increase of 22% compared to the same period in 2020.

Costs (core earnings) constituted DKK 833m in Q1 2021 – a rise of 16% compared to the same period in 2020. The increase is attributable to the acquisition of Alm. Brand Bank.

Core earnings constitute DKK 426m compared with DKK 165m in 2020 – an increase of DKK 261m.

Profit for the period amounts to DKK 291m compared with DKK 55m in 2020 – an increase of DKK 236m.

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

We are building a **stronger bank** focusing on 3 themes:

- Customer first
- More Sydbank
- Digitization.

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

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

Digitization is an investment in the customer meeting a bank – at every touch point – where focus

is on the wishes, needs and expectations of the customer. It is an investment in our employees having even simpler and more efficient processes enabling them to spend their time on the customer. It is an investment in using the new technology that works to improve the customer's digital relationship with Sydbank. And it is an investment in ensuring that Sydbank remains a financially sound and well-run business.

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

The strategic focus covers these areas:

- Customer satisfaction
- Employee engagement
- Return on equity.

Customer satisfaction

Sydbank builds on long-term customer relationships. We strive for a positive trend in customer satisfaction. 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.

Employee engagement

Sydbank considers excellent and committed employees to be its most important asset and aims to retain the present high level. Sydbank's objective is to be best in class 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 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 – 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.

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.

Q1 performance

Core income totals DKK 1,105m, which is DKK 145m higher than in Q1 2020.

Trading income constituted DKK 73m in Q1 2021 compared with DKK 7m in the same period in 2020.

Total income represents DKK 1,178m, which is an increase of DKK 211m compared to the same period in 2020.

Costs (core earnings) constitute DKK 833m compared with DKK 718m in 2020 – an increase of DKK 115m.

The Group's impairment charges for loans and advances represent an income of DKK 81m compared with an expense of DKK 84m in Q1 2020.

Together the Group's position-taking and liquidity handling generated negative investment portfolio earnings of DKK 21m in the first 3 months of 2021 compared with negative earnings of DKK 78m a year ago.

Non-recurring items represent an expense of DKK 32m compared with an expense of DKK 17m in Q1 2020. In 2021 the item consists of costs of DKK 9m related to "A stronger bank" and DKK 23m related to the integration of Alm. Brand Bank. In 2020 the item included costs of DKK 17m related to "A stronger bank".

Profit before tax for Q1 2021 amounts to DKK 373m compared with DKK 70m in the same period in 2020. Tax represents DKK 82m, equivalent to an effective tax rate of 22.0%. Profit for the period amounts to DKK 291m compared with DKK 55m in 2020.

Bank loans and advances

Bank loans and advances represented DKK 61.5bn at 31 March 2021 – an increase of DKK 1.5bn since 31 March 2020 and an increase of DKK 1.3bn since year-end 2020.

Bank loans and advances (DKKbn)	31 Mar 2021	31 Dec 2020	31 Mar 2020
Corporate clients	46.5	44.7	46.9
Retail clients	15.0	15.2	12.9
Public authorities	0.0	0.3	0.2
Total	61.5	60.2	60.0

Demand for loans remains subdued and competition for bank loans and advances continues to be fierce. However the development in bank loans and advances should be compared to the favourable conditions in the real property market, which means that an increasing share of customers' total housing debt is financed by way of mortgage loans. Arranged mortgage loans – Totalkredit went up by DKK 1.5bn in the first 3 months of 2021.

Lending to corporate clients is affected for instance by the government's relief packages, which include deferral of VAT and tax payments. Loans and advances to corporate clients showed an increase of DKK 1.8bn in Q1 2021.

As a result of the uncertainty in connection with Covid-19, many corporate clients have increased their credit facilities, which the Bank has accommodated in the form of increased credit commitments. During Q1 2021 corporate clients drew a further DKK 1.7bn under their credit facilities.

Credit facilities to corporate clients (DKKbn)	31 Mar 2021	31 Dec 2020	31 Mar 2020
Drawn facilities = loans/advances before impairment charges	48.0	46.3	48.6
Undrawn facilities	37.8	38.2	27.4
Total	85.8	84.5	76.0

Credit intermediation

In addition to traditional bank loans and advances the Group arranges for mortgage loans from Totalkredit and DLR Kredit. The Group's total credit intermediation comprises bank loans and advances, mortgage-like loans funded by Totalkredit as well as mortgage loans arranged through Totalkredit and DLR Kredit. At 31 March 2021 credit intermediation totalled DKK 168.1bn – an increase of DKK 2.5bn compared to year-end 2020. The change is attributable to a rise in bank loans and advances of DKK 1.3bn, a decline in funded mortgage-like loans of DKK 0.5bn and an increase in arranged mortgage loans of a total of DKK 1.7bn.

Total credit intermediation (DKKbn)	31 Mar 2021	31 Dec 2020	31 Mar 2020
Bank loans and advances	61.5	60.2	60.0
Funded mortgage-like loans	6.5	7.0	7.9
Arranged mortgage loans – Totalkredit	87.2	85.7	65.8
Arranged mortgage loans – DLR	12.9	12.7	11.3
Total	168.1	165.6	145.0

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.

Sydbank's core story

Banking

Sydbank's mission is to be a bank that is close to its customers. We find solutions where they are – quickly and efficiently. We build on relationships between people. And we focus on what is important – banking and sound business. Banking – pure and simple.

Our bank

Rooted in Southern Jutland, Sydbank is a strong and independent nationwide bank operating on its own terms. For the backbone of the Danish corporate sector and for retail customers who value professional advice we are a bank for most people but not the same bank for everyone. Good old-fashioned attentiveness, new technology – we use what works. We know our customers and we are close to them providing advice tailored to their individual needs. Backed by the best business partners our competitive strength is increased. Our bank – excellence and relationships create value.

Sydbank

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

Financial Review – Performance in Q1 2021

The Sydbank Group has recorded a profit before tax of DKK 373m (Q1 2020: DKK 70m).

Profit before tax equals a return of 12.3% p.a. on average equity.

Profit for the period after tax represents DKK 291m compared with DKK 55m in 2020.

Profit after tax equals a return of 9.5% p.a. on average equity.

Profit for Q1 2021 is in line with the expectations at the beginning of the year.

The result is characterised by:

- a rise in core income of DKK 145m to DKK 1,105m
- an increase in trading income of DKK 66m
- higher costs (core earnings) – as a result of the acquisition of Alm. Brand Bank
- impairment charges represent an income of DKK 81m, of which DKK 49m concerns mink farming
- a rise in core earnings of DKK 261m to DKK 426m
- negative investment portfolio earnings of DKK 21m
- bank loans and advances of DKK 61.5bn (year-end 2020: DKK 60.2bn) – a rise of DKK 1.3bn
- bank deposits of DKK 93.0bn (year-end 2020: DKK 95.9bn)
- a CET1 ratio of 18.1% (year-end 2020: 18.8%)
- an individual solvency need of 11.3% (year-end 2020: 10.8%).

Income statement – Q1 (DKKm)	2021	2020
Core income	1,105	960
Trading income	73	7
Total income	1,178	967
Costs, core earnings	833	718
Core earnings before impairment	345	249
Impairment of loans and advances etc	(81)	84
Core earnings	426	165
Investment portfolio earnings	(21)	(78)
Profit before non-recurring items	405	87
Non-recurring items, net	(32)	(17)
Profit before tax	373	70
Tax	82	15
Profit for the period	291	55

Core income

Core income represents DKK 1,105m – an increase of DKK 145m compared to 2020.

Net interest has gone up by DKK 45m to DKK 434m compared to 2020. Net interest is positively affected by the acquisition of Alm. Brand Bank and the measures implemented as regards deposits.

Net income from the cooperation with Totalkredit represents DKK 141m (2020: DKK 123m) after a set-off of loss of DKK 4m (2020: DKK 3m).

The cooperation with DLR Kredit has generated an income of DKK 35m (2020: DKK 30m).

Total mortgage credit income represents DKK 176m – an increase of DKK 22m compared to 2020.

Commission and brokerage have risen by DKK 27m to DKK 134m compared to 2020. The rise is attributable to significant trading activity.

Asset management represents DKK 89m compared with DKK 70m in 2020.

The remaining income components have increased by DKK 32m, equal to a rise of 13%.

Core income – Q1 (DKKm)	2021	2020
Net interest etc	434	389
Mortgage credit	176	154
Payment services	47	40
Remortgaging and loan fees	53	48
Commission and brokerage	134	107
Commission etc investment funds and pooled pension plans	83	73
Asset management	89	70
Custody account fees	25	20
Other operating income	64	59
Total	1,105	960

Trading income

Trading income rose by DKK 66m to DKK 73m in Q1 2021 compared with the same period in 2020.

The increase in income is mainly attributable to the fact that income in Q1 2020 was affected by negative market developments triggered by considerable uncertainty following the Covid-19 outbreak.

Q1 2021 as well as Q1 2020 have been characterised by brisk activity in financial markets.

Costs and depreciation

The Group's costs and depreciation total DKK 867m, equal to an increase of DKK 130m compared to the same period in 2020.

Costs and depreciation – Q1 (DKKm)	2021	2020
Staff costs	499	410
Other administrative expenses	330	299
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment	31	23
Other operating expenses	7	5
Total costs and depreciation	867	737
Distributed as follows:		
Costs, core earnings	833	718
Costs, investment portfolio earnings	2	2
Non-recurring costs	32	17

Costs (core earnings) represent DKK 833m compared with DKK 718m in 2020 – an increase of DKK 115m. The rise is attributable to the acquisition of Alm. Brand Bank where costs amounted to DKK 140m in Q1 2020.

At 31 March 2021 the Group's staff numbered 2,166 (full-time equivalent) compared with 2,004 at 31 March 2020 and 2,286 at 31 December 2020. In Q1 2021 the number of employees declined by 120, which is primarily attributable to the integration of Alm. Brand Bank.

Compared to year-end 2020 the number of branches has been reduced by 1, bringing the number of branches to 55 in Denmark and 3 in Germany at end-March 2021.

Core earnings before impairment

Core earnings before impairment charges for loans and advances represent DKK 345m – an increase of DKK 96m or 39% compared to the same period in 2020.

Impairment of loans and advances etc

Impairment charges for loans and advances represent an income of DKK 81m compared with an expense of DKK 84m in the same period in 2020.

The Group's impairment charges for loans and advances include a management estimate of DKK 325m (31 Dec 2020: DKK 325m) to cover the consequences of the Covid-19 outbreak on the Group's lending portfolio. The estimate is based on a current assessment of the effects of Covid-19 on the Group's lending portfolio and the estimate may change in the coming quarters.

At 31 March 2021 Sydbank's unsecured loans and advances in the weakest rating categories (excluding

agriculture) amounted to DKK 624m. 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 20%.

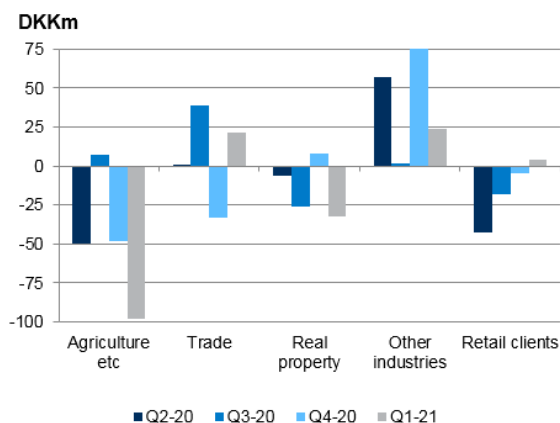
Furthermore impairment charges include a management estimate of DKK 200m to cover unforeseen events as regards the remaining part of the lending portfolio, the credit risk of which is satisfactory or normal.

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

Consequently management estimates as a result of Covid-19 total DKK 325m (31 Dec 2020: DKK 325m).

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

Impairment charges – quarterly



The impairment ratio for the period relative to bank loans and advances and guarantees at 31 March 2021 represents minus 0.1%. At end-March 2021 accumulated impairment and provisions amounted to DKK 2,150m – a decline of DKK 79m compared to year-end 2020.

In Q1 2021 reported losses amounted to DKK 38m (Q1 2020: DKK 101m). Of the reported losses an impairment charge of DKK 32m (Q1 2020: DKK 80m) has previously been recorded.

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 (POCI)** – 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 March 2021 allocated to these stages are shown below.

Loans/advances and impairment charges – 31 Mar 2021					
(DKKm)	Stage 1	Stage 2	Stage 3	POCI	Total
Loans/advances before impairment charges	57,990	3,494	1,707	306	63,497
Impairment charges	471	607	901	-	1,979
Total loans/advances	57,519	2,887	806	306	61,518

31 Mar 2021	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment charges as % of bank loans/advances	0.8	17.4	52.8	-	3.1
Share of bank loans/advances before impairment charges (%)	91.3	5.5	2.7	0.5	100.0
Share of bank loans/advances after impairment charges (%)	93.5	4.7	1.3	0.5	100.0

Credit impaired bank loans and advances – stage 3 – represent 2.7% (year-end 2020: 3.1%) of total bank loans and advances before impairment charges and 1.3% (year-end 2020: 1.6%) of total bank loans and advances after impairment charges.

Impairment charges concerning credit impaired bank loans and advances as a percentage of credit

impaired bank loans and advances at 31 March 2021 stand at 52.8% (year-end 2020: 49.3%).

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.

Core earnings

Core earnings represent DKK 426m – an increase of DKK 261m compared to the same period in 2020.

Investment portfolio earnings

Together the Group’s position-taking and liquidity handling generated negative investment portfolio earnings of DKK 21m in Q1 2021 compared with negative earnings of DKK 78m a year ago.

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

Investment portfolio earnings – Q1 (DKKm)	2021	2020
Position-taking	(9)	(48)
Liquidity generation and liquidity reserves	(11)	(26)
Strategic positions	1	(2)
Costs	(2)	(2)
Total	(21)	(78)

Non-recurring items, net

Non-recurring items represent an expense of DKK 32m compared with an expense of DKK 17m in Q1 2020.

In 2021 the item consists of costs of DKK 9m related to “A stronger bank” and DKK 23m related to the integration of Alm. Brand Bank.

In 2020 the item included costs of DKK 17m related to “A stronger bank”.

Profit for the period

Profit before tax amounts to DKK 373m (Q1 2020: DKK 70m). Tax represents DKK 82m, equivalent to an effective tax rate of 22.0%. Profit for the period amounts to DKK 291m compared with DKK 55m in 2020.

Return

Profit for the period equals a return on average equity of 9.5% p.a. after tax against 1.6% p.a. in Q1 2020. Earnings per share stands at DKK 4.7 compared with DKK 0.7 in 2020.

Subsidiaries

Profit after tax of the subsidiaries represents DKK 8m (Q1 2020: DKK 1m). Sydbank has sold the

subsidiary Alm. Brand Leasing A/S to Opendo A/S effective from 1 March 2021.

Q1 2021 compared with Q4 2020

Profit before tax for Q1 represents DKK 373m (Q4 2020: DKK 286m). Alm. Brand Bank was consolidated as from 1 December 2020.

Compared to Q4 2020 profit before tax reflects:

- a rise in core income of DKK 146m
- unchanged trading income

- an increase in costs (core earnings) of DKK 105m
- impairment charges for loans and advances represent an income of DKK 81m in Q1 and an expense of DKK 1m in Q4
- an increase in core earnings of DKK 122m to DKK 426m
- investment portfolio earnings of minus DKK 21m (Q4 2020: DKK 2m).

Profit for the period (DKKm)	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Core income	1,105	959	882	869	960
Trading income	73	74	88	109	7
Total income	1,178	1,033	970	978	967
Costs, core earnings	833	728	628	700	718
Core earnings before impairment	345	305	342	278	249
Impairment of loans and advances etc	(81)	1	4	(42)	84
Core earnings	426	304	338	320	165
Investment portfolio earnings	(21)	2	0	45	(78)
Profit before non-recurring items	405	306	338	365	87
Non-recurring items, net	(32)	(20)	(18)	(20)	(17)
Profit before tax	373	286	320	345	70
Tax	82	60	71	76	15
Profit for the period	291	226	249	269	55

Total assets

The Group's total assets made up DKK 164.8bn at 31 March 2021 against DKK 165.8bn at year-end 2020.

Assets (DKKbn)	31 Mar 2021	31 Dec 2020
Amounts owed by credit institutions etc	19.8	17.2
Loans and advances at fair value (reverse transactions)	18.2	18.0
Loans and advances at amortised cost (bank loans and advances)	61.5	60.2
Securities and holdings etc	35.3	39.5
Assets related to pooled plans	20.3	19.8
Other assets etc	9.7	11.1
Total	164.8	165.8

The Group's bank loans and advances totalled DKK 61.5bn at end-March 2021 against DKK 60.2bn at year-end 2020 and DKK 60.0bn at end-March 2020.

Equity and liabilities (DKKbn)	31 Mar 2021	31 Dec 2020
Amounts owed to credit institutions etc	6.8	7.1
Deposits and other debt	93.0	95.9
Deposits in pooled plans	20.3	19.8
Bonds issued	9.6	9.6
Other liabilities etc	20.1	18.5
Provisions	0.5	0.5
Subordinated capital	1.9	1.9
Equity	12.6	12.5
Total	164.8	165.8

The Group's deposits make up DKK 93.0bn against DKK 95.9bn at year-end 2020 and DKK 82.2bn at end-March 2020.

Equity

At 31 March 2021 shareholders' equity constituted DKK 11,768m – an increase of DKK 56m since year-end 2020. The change comprises an addition from comprehensive income for the period of DKK 304m less distribution of DKK 247m and net purchases of own shares etc of DKK 1m.

Capital

REA (DKKbn)	31 Mar 2021	31 Dec 2020
Credit risk	37.5	33.3
Market risk	6.0	6.7
Operational risk	6.7	6.7
Other exposures incl CVA	6.3	7.3
Total	56.5	54.0

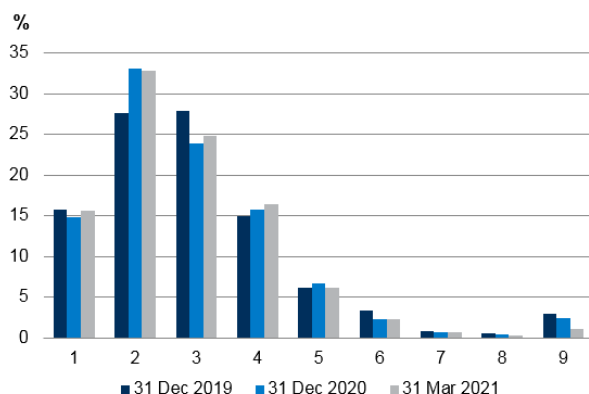
The risk exposure amount represents DKK 56.5bn (year-end 2020: DKK 54.0bn). The change is mainly attributable to an increase in credit risk of DKK 4.2bn as well as a decline in other exposures incl CVA and market risk of DKK 1bn and DKK 0.7bn respectively.

At 31 March 2021 the risk exposure amount shows a total increase of DKK 2.5bn, which is primarily attributable to an increase in credit risk due to a new definition of default as from 1 January 2021.

The development in the gross exposure by rating category at 31 March 2021, 31 December 2020 and 31 December 2019 appears below.

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.

Gross exposure by rating category



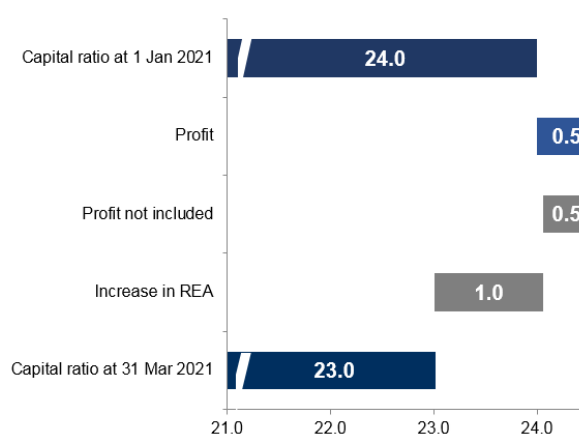
The gross exposure consists of loans and advances, undrawn credit commitments, interest receivable, guarantees and counterparty risk on derivatives. The graph comprises exposures treated according to IRB. Exposures relating to clients in default are not included in the breakdown of rating categories.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

Solvency

Group – (DKKbn)	31 Mar 2021	31 Dec 2020
REA	56,500	54,040
CET1 capital	10,226	10,185
T1 capital	11,025	11,041
Total capital	12,985	12,952
CET1 ratio	18.1	18.8
T1 capital ratio	19.5	20.4
Capital ratio	23.0	24.0

The Group's capital ratio stands at 23.0%, of which the T1 capital ratio represents 19.5% compared with 24.0% and 20.4% respectively at year-end 2020. The CET1 ratio stands at 18.1% (31 December 2020: 18.8%).

Capital ratio in Q1 2021



Profit for the period is not included in the calculation of capital ratios at 31 March 2021.

The capital ratio declined by 1.0 percentage point in Q1 due to the increase in the risk exposure amount.

At 31 March 2021 the individual solvency need represented 11.3% (31 December 2020: 10.8%).

The parent's capital ratio stands at 21.8%, of which the T1 capital ratio represents 18.5% compared with 22.7% and 19.4% respectively at year-end 2020. The CET1 ratio stands at 17.2% (31 December 2020: 17.9%).

Capital requirements

The Group's capital management is anchored in the Internal Capital Adequacy Assessment Process (ICAAP), a review conducted to identify risks and determine the individual solvency need.

At end-March 2021 the individual solvency need represented 11.3%. The solvency need consists of a minimum capital requirement of 8% under Pillar I

and a capital add-on under Pillar II. Approximately 67% of the solvency need must be covered by CET1 capital, equivalent to 9.9% of the risk exposure amount.

In addition to the solvency need the Group must meet a combined buffer requirement of 3.5% at 31 March 2021.

Capital and solvency and capital requirements (% of REA)	31 Mar 2021
Capital and solvency	
CET1 ratio	18.1
Capital ratio	23.0
Capital requirements (incl buffers)*	
Total capital requirement	14.8
CET1 capital requirement	9.9
- of which countercyclical capital buffer	0.0
- of which capital conservation buffer	2.5
- of which SIFI buffer	1.0
Excess capital	
CET1 capital	8.2
Total capital	8.2

* The total capital requirement consists of an individual solvency need and a combined buffer requirement. The fully loaded countercyclical capital buffer is based on the adopted requirement at 31 March 2021.

Market risk

At 31 March 2021 the Group's interest rate risk represented DKK 130m. The Group's exchange rate risk continues to be very low and its equity position modest.

Funding and liquidity

The guidelines for calculating the Liquidity Coverage Ratio (LCR) specify a run-off of exposures while taking into account counterparties, funding size, hedging and maturity. Consequently the most stable deposits are favoured relative to large deposits, in particular large deposits from businesses and financial counterparties.

The Group's LCR constituted 211% at 31 March 2021 (31 December 2020: 210%).

LCR (DKKbn)	31 Mar 2021	31 Dec 2020	31 Mar 2020
Total liquidity buffer	42.3	51.3	36.0
Net cash outflows	20.1	24.4	18.4
LCR (%)	211	210	196

The Group has met the LCR requirement throughout the period and as can be seen its excess cover continues to be significant at 31 March 2021.

Funding ratio (DKKbn)	31 Mar 2021	31 Dec 2020	31 Mar 2020
Equity and subordinated capital	14.4	14.4	13.6
Senior loans with maturities > 1 year	5.9	9.6	7.4
Stable deposits	84.2	87.6	75.3
Total stable funding	104.5	111.6	96.3
Bank loans and advances	61.5	60.2	60.0
Funding ratio (%)	170	185	160

The Group's stable funding exceeded the Group's loans and advances by DKK 43.0bn at 31 March 2021 (31 December 2020: DKK 51.4bn).

Rating

Moody's most recent ratings of Sydbank:

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

Supervisory Diamond

The Supervisory Diamond sets up a number of benchmarks to indicate banking activities that initially should be regarded as involving a higher risk. Any breach of the Supervisory Diamond is subject to reactions by the Danish FSA. Sydbank complies with all the benchmarks of the Supervisory Diamond.

Supervisory Diamond benchmarks	31 Mar 2021	31 Dec 2020	31 Mar 2020
Sum of 20 largest exposures < 175%	151	149	141
Lending growth < 20% annually	2	(1)	(1)
Commercial property exposure < 25%	8	7	6
Funding ratio < 1	0.56	0.52	0.59
Excess liquidity coverage > 100%	243	232	220

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 25.1% of the risk exposure amount.

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 SIFI buffer, the capital conservation buffer and the countercyclical capital buffer.

MREL – 31 Mar 2021 (%)	Capital requirements	MREL
Solvency need	11.3	22.6
SIFI buffer	1.0	1.0
Capital conservation buffer	2.5	2.5
Countercyclical capital buffer	0.0	0.0
Total requirement (%)	14.8	26.1
Total requirement (DKKm)	8,362	14,734

At 31 March 2021 the Group met the MREL with an excess cover of DKK 2,155m.

The excess cover corresponds to an increase in the solvency need of 3.8 percentage points or an increase in the risk exposure amount of DKK 8,200m.

One of the Group's NPS issues of EUR 500m has a maturity of less than 1 year and cannot be included.

Excess cover – MREL (DKKm)	
Total capital	12,985
NPS issues with maturity exceeding 1 year	5,881
Cover of combined buffer requirement	(1,977)
Total own funds and eligible liabilities	16,889
MREL	14,734
Excess cover	2,155
Excess cover as % of REA	3.8

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 2021 is expected to represent DKK 25m.

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 6.0% at 31 March 2021 (year-end 2020: 6.1%) 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 6.0% (year-end 2020: 6.1%).

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

IFRS 9 – transitional arrangement

To counter an unintended impact on regulatory capital and hence banks' possibilities of supporting lending, a transitional arrangement has been adopted so that 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 uses the transitional arrangement.

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 credit 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

As of 1 January 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 higher as the Group applies the foundation IRB approach as regards corporate exposures and only uses its own estimates of default.

Exposures affected by Covid-19

The following exposures are considered to be the most affected by Covid-19:

- Severely impacted industries
- Weak corporate clients

-
- Small corporate clients.

Severely impacted industries

Mainly businesses within the following industries are considered to be severely impacted by Covid-19:

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

Loans and advances to these industries represented DKK 1.9bn at 31 March 2021, equivalent to 2.9% of total loans and advances of DKK 61.5bn.

Weak corporate clients

Customers who were already weak before the coronavirus crisis – corresponding to rating categories 7, 8, 9 and default – will be even more challenged during times of crisis.

Impairment charges are recorded on a regular basis on all customers subject to objective evidence of credit impairment and as a result these customers are given individual focus.

Loans and advances to weak corporate clients without objective evidence of credit impairment (excluding agriculture) 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 1.1bn at 31 March 2021, equivalent to 1.9% of total loans and advances of DKK 61.5bn.

Income Statement

DKKm	Note	Q1 2021	Q1 2020	Full year 2020
Interest income calculated using the effective interest method		517	469	1,824
Other interest income		84	70	269
Interest income	2	601	539	2,093
Interest expense	3	111	115	462
Net interest income		490	424	1,631
Dividends on shares		3	5	25
Fee and commission income	4	668	584	2,208
Fee and commission expense		78	80	307
Net interest and fee income		1,083	933	3,557
Market value adjustments	5	68	(48)	340
Other operating income		7	4	20
Staff costs and administrative expenses	6	829	709	2,724
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment		31	23	109
Other operating expenses	8	7	5	23
Impairment of loans and advances etc	9	(80)	84	48
Profit/(Loss) on holdings in associates and subsidiaries	10	2	2	8
Profit before tax		373	70	1,021
Tax	11	82	15	222
Profit for the period		291	55	799
Distribution of profit for the period				
Shareholders of Sydbank A/S		277	43	763
Holders of AT1 capital and minority shareholders		14	12	36
Total amount to be allocated		291	55	799
Proposed dividend to shareholders of Sydbank A/S		-	-	238
Interest paid to holders of AT1 capital		10	10	39
Proposal for allocation for other purposes		-	-	10
Minority shareholders		4	2	6
Transfer to equity		277	43	506
Total amount allocated		291	55	799
EPS Basic for the period (DKK)*		4.7	0.7	12.8
EPS Diluted for the period (DKK)*		4.7	0.7	12.8
Dividend per share (DKK)		-	-	4.00

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

Statement of Comprehensive Income

Profit for the period	291	55	799
Other comprehensive income			
<u>Items that may be reclassified to the income statement:</u>			
Translation of foreign entities	-	6	1
Hedge of net investment in foreign entities	-	(6)	(1)
<u>Items that may not be reclassified to the income statement:</u>			
Property revaluation	-	-	(10)
Value adjustment of certain strategic shares	27	(10)	9
Other comprehensive income after tax	27	(10)	(1)
Comprehensive income for the period	318	45	798

Balance Sheet

DKKm	Note	31 Mar 2021	31 Dec 2020	31 Mar 2020
Assets				
Cash and balances on demand at central banks		2,237	2,806	2,371
Amounts owed by credit institutions and central banks	12	17,608	14,428	13,665
Loans and advances at fair value		18,196	17,961	19,626
Loans and advances at amortised cost	13	61,518	60,229	60,020
Bonds at fair value		32,583	36,942	24,682
Shares etc		2,481	2,409	2,187
Holdings in associates etc		180	173	149
Assets related to pooled plans		20,346	19,773	17,106
Intangible assets		435	445	234
Owner-occupied property		1,079	1,079	1,060
Owner-occupied property (leasing)		93	101	69
Total land and buildings		1,172	1,180	1,129
Other property, plant and equipment		67	70	60
Current tax assets		605	147	227
Deferred tax assets		21	20	33
Assets in temporary possession		1	971	-
Other assets	14	7,292	8,170	8,644
Prepayments		69	76	63
Total assets		164,811	165,800	150,196
Equity and liabilities				
Amounts owed to credit institutions and central banks	15	6,826	7,093	7,588
Deposits and other debt	16	93,032	95,919	82,208
Deposits in pooled plans		20,346	19,773	17,106
Liabilities temporarily acquired		-	88	-
Bonds issued at amortised cost		9,595	9,563	7,438
Other liabilities	17	20,089	18,465	21,767
Deferred income		8	7	4
Total liabilities		149,896	150,908	136,111
Provisions	18	505	529	468
Subordinated capital	19	1,857	1,857	1,863
Equity:				
Share capital		597	597	618
Revaluation reserves		104	104	116
Other reserves:				
Reserves according to articles of association		425	425	425
Reserve for net revaluation according to equity method		2	2	4
Retained earnings		10,640	10,336	9,806
Proposed dividend etc		-	248	-
Shareholders of Sydbank A/S		11,768	11,712	10,969
Holder of AT1 capital		747	757	750
Minority shareholders		38	37	35
Total equity		12,553	12,506	11,754
Total equity and liabilities		164,811	165,800	150,196

Financial Highlights – Quarterly

	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Income statement (DKKm)					
Core income	1,105	959	882	869	960
Trading income	73	74	88	109	7
Total income	1,178	1,033	970	978	967
Costs, core earnings	833	728	628	700	718
Core earnings before impairment	345	305	342	278	249
Impairment of loans and advances etc	(81)	1	4	(42)	84
Core earnings	426	304	338	320	165
Investment portfolio earnings	(21)	2	0	45	(78)
Profit before non-recurring items	405	306	338	365	87
Non-recurring items, net	(32)	(20)	(18)	(20)	(17)
Profit before tax	373	286	320	345	70
Tax	82	60	71	76	15
Profit for the period	291	226	249	269	55
Balance sheet highlights (DKKbn)					
Loans and advances at amortised cost	61.5	60.2	56.0	55.5	60.0
Loans and advances at fair value	18.2	18.0	16.1	19.1	19.6
Deposits and other debt	93.0	95.9	82.9	84.2	82.2
Bonds issued at amortised cost	9.6	9.6	7.4	7.4	7.4
Subordinated capital	1.9	1.9	1.9	1.9	1.9
AT1 capital	0.8	0.8	0.8	0.8	0.8
Shareholders' equity	11.8	11.7	11.5	11.2	11.0
Total assets	164.8	165.8	151.1	150.4	150.2
Financial ratios per share (DKK per share of DKK 10)					
Profit for the period	4.7	3.7	4.0	4.4	0.7
Share price at end of period	170.9	134.5	99.6	123.0	96.1
Book value	198.5	197.6	194.2	190.2	185.8
Share price/book value	0.86	0.68	0.51	0.65	0.52
Average number of shares outstanding (in millions)	59.3	59.3	58.6	59.0	59.2
Dividend per share	-	4.00	-	-	-
Other financial ratios and key figures					
CET1 ratio	18.1	18.8	20.1	20.2	19.0
T1 capital ratio	19.5	20.4	21.8	22.0	20.6
Capital ratio	23.0	24.0	25.6	25.9	24.3
Pre-tax profit as % p.a. of average equity	12.3	9.5	10.9	12.1	2.1
Post-tax profit as % p.a. of average equity	9.5	7.4	8.4	9.3	1.6
Costs (core earnings) as % of total income	70.7	70.3	64.7	71.6	74.3
Return on assets (%)	0.2	0.1	0.2	0.2	0.0
Interest rate risk	1.2	1.6	1.0	0.9	0.6
Foreign exchange position	2.0	1.2	2.0	1.3	2.3
Foreign exchange risk	0.0	0.0	0.0	0.0	0.0
Liquidity, LCR (%)	211	210	231	232	196
Loans and advances relative to deposits	0.6	0.5	0.6	0.6	0.6
Loans and advances relative to equity	5.2	5.1	5.1	5.1	5.5
Growth in loans and advances during the period	2.1	7.6	0.8	(7.5)	(0.9)
Total large exposures	151	149	153	152	139
Accumulated impairment ratio	2.6	2.7	2.8	3.0	2.7
Impairment ratio for the period	(0.10)	0.00	0.01	(0.06)	0.10
Number of full-time staff at end of period	2,166	2,286	1,983	1,979	2,004

When calculating financial ratios AT1 capital is considered a liability regardless of the fact that it is accounted for as equity. Reference is made to financial ratio definitions in the 2020 Annual Report (page 118).

Capital

DKKm	Share capital	Revaluation reserves	Reserves acc to articles of association	Reserve for net revaluation acc to equity method	Retained earnings	Proposed dividend etc	Shareholders of Sydbank A/S	AT1 capital*	Minority shareholders	Total equity
Equity at 1 Jan 2021	597	104	425	2	10,336	248	11,712	757	37	12,506
Profit for the period					277		277	10	4	291
Other comprehensive income					27		27			27
Comprehensive income for the period	-	-	-	-	304	-	304	10	4	318
Transactions with owners										
Purchase of own shares					(280)		(280)			(280)
Sale of own shares					279		279			279
Interest paid on AT1 capital								(20)		(20)
Exchange rate adjustment					0		0	0		0
Dividend etc paid						(248)	(248)		(6)	(254)
Dividend, own shares					1		1			1
Sale of holdings in subsidiaries									3	3
Total transactions with owners	-	-	-	-	-	(248)	(248)	(20)	(3)	(271)
Equity at 31 Mar 2021	597	104	425	2	10,640	-	11,768	747	38	12,553
Equity at 1 Jan 2020	618	116	425	4	9,451	352	10,966	760	38	11,764
Profit for the period					43		43	10	2	55
Other comprehensive income					(10)		(10)			(10)
Comprehensive income for the period	-	-	-	-	33	-	33	10	2	45
Transactions with owners										
Purchase of own shares					(250)		(250)			(250)
Sale of own shares					220		220			220
Interest paid on AT1 capital								(20)		(20)
Exchange rate adjustment					0		0	0		0
Cancelled dividend, own shares					352	(352)	0			0
Dividend paid									(5)	(5)
Total transactions with owners	-	-	-	-	322	(352)	(30)	(20)	(5)	(55)
Equity at 31 Mar 2020	618	116	425	4	9,806	-	10,969	750	35	11,754

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

The Sydbank share	31 Mar 2021	31 Dec 2020	31 Mar 2020
Share capital (DKK)	596,763,200	596,763,200	617,540,000
Shares issued (number)	59,676,320	59,676,320	61,754,000
Shares outstanding at end of period (number)	59,285,471	59,286,316	59,031,681
Average number of shares outstanding (number)	59,286,316	59,034,373	59,242,821

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

Capital

DKKm	31 Mar 2021	31 Dec 2020	31 Mar 2020
Solvency			
CET1 ratio	18.1	18.8	19.0
T1 capital ratio	19.5	20.4	20.6
Capital ratio	23.0	24.0	24.3
Total capital			
Equity, shareholders of Sydbank A/S	11,768	11,712	10,969
Expected maximum dividend based on dividend policy	(287)	-	(55)
Prudent valuation	(86)	(85)	(78)
Actual or contingent obligations to purchase own shares	(10)	(10)	-
Proposed dividend	-	(248)	-
Intangible assets and capitalised deferred tax assets	(393)	(420)	(207)
Significant investments in financial sector	(852)	(882)	(702)
Transitional arrangement IFRS 9	86	118	118
CET1 capital	10,226	10,185	10,045
AT1 capital – equity	744	744	747
AT1 capital – debt	55	112	112
T1 capital	11,025	11,041	10,904
T2 capital	1,801	1,745	1,751
Difference between expected losses and impairment for accounting purposes	159	166	197
Total capital	12,985	12,952	12,852
Credit risk*	37,501	33,355	35,399
Market risk	5,975	6,675	4,310
Operational risk	6,708	6,708	7,171
Other exposures incl CVA	6,315	7,302	6,076
REA	56,500	54,040	52,956
Pillar I capital requirement	4,520	4,323	4,236
* Credit risk			
Corporate clients, IRB	25,839	21,811	26,129
Retail clients, IRB	5,815	5,798	6,794
Corporate clients, STD	670	460	275
Retail clients, STD	3,980	3,476	923
Credit institutions etc	1,198	1,810	1,278
Total	37,501	33,355	35,399

Cash Flow Statement

DKKm	Q1 2021	Full year 2020	Q1 2020
Operating activities			
Pre-tax profit for the period	373	1,021	70
Taxes paid	(546)	(174)	(65)
<u>Adjustment for non-cash operating items:</u>			
Profit/(Loss) on holdings in associates	0	3	2
Amortisation and depreciation of intangible assets and property, plant and equipment	31	109	23
Impairment of loans and advances/guarantees	(80)	47	84
Other non-cash operating items	(25)	65	(9)
	(247)	1,071	105
<u>Changes in working capital:</u>			
Credit institutions and central banks	(6,707)	(1,512)	(3,153)
Trading portfolio	4,286	(558)	7,699
Other financial instruments at fair value	147	(33)	202
Loans and advances	(1,445)	(842)	(6,573)
Deposits	(2,887)	1,718	(2,087)
Other assets/liabilities	3,281	187	3,337
Cash flows from operating activities	(3,572)	31	(470)
Investing activities			
Purchase of holdings in associates	(7)	(29)	(2)
Sale of holdings in associates	-	0	-
Acquisition of Alm. Brand Bank	-	(1,897)	-
Purchase of holdings in subsidiaries	3	(2)	-
Sale of holdings in subsidiaries	-	0	-
Purchase of property, plant and equipment	(7)	(110)	2
Sale of property, plant and equipment	-	11	-
Cash flows from investing activities	(11)	(2,027)	0
Financing activities			
Purchase and sale of own holdings	0	(2)	(30)
Dividends etc	(247)	(7)	-
Issue of bonds	-	2,133	-
Cash flows from financing activities	(247)	2,124	(30)
Cash flows for the period	(3,830)	128	(500)
Cash and cash equivalents at 1 Jan	6,881	6,753	6,753
Cash flows for the period	(3,830)	128	(500)
Cash and cash equivalents at end of period	3,051	6,881	6,253
Cash and cash equivalents at end of period			
Cash and balances on demand at central banks	2,237	2,806	2,372
Fully secured cash and cash equivalent balances on demand with credit institutions and insurance companies	865	1,016	916
Unencumbered certificates of deposit	(51)	3,059	2,965
Cash and cash equivalents at end of period	3,051	6,881	6,253

Segment Reporting etc

DKK m	Banking	Asset Management	Sydbank Markets	Treasury	Other	Total
Operating segments						
Q1 2021						
Core income	985	88	32	-	-	1,105
Trading income	-	-	73	-	-	73
Total income	985	88	105	-	-	1,178
Costs, core earnings	740	32	40	-	21	833
Impairment of loans and advances etc	(81)	-	-	-	-	(81)
Core earnings	326	56	65	-	(21)	426
Investment portfolio earnings	1	-	-	(22)	-	(21)
Profit before non-recurring items	327	56	65	(22)	(21)	405
Non-recurring items, net	(32)	-	-	-	-	(32)
Profit before tax	295	56	65	(22)	(21)	373
Q1 2020						
Core income	862	70	28	-	-	960
Trading income	-	-	7	-	-	7
Total income	862	70	35	-	-	967
Costs, core earnings	630	30	42	-	16	718
Impairment of loans and advances etc	84	-	-	-	-	84
Core earnings	148	40	(7)	-	(16)	165
Investment portfolio earnings	(3)	-	-	(75)	-	(78)
Profit before non-recurring items	145	40	(7)	(75)	(16)	87
Non-recurring items, net	(17)	-	-	-	-	(17)
Profit before tax	128	40	(7)	(75)	(16)	70

Operating segments

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.

Segment Reporting etc

DKKm	Core income	Trading income	Costs, core earnings	Impairment of loans/ advances etc	Core earnings	Investment portfolio earnings	Non-recurring items, net	Profit before tax
Correlation between the Group's performance measures and the income statement according to IFRS								
Q1 2021								
Net interest and fee income	1,005	73			1,078	5		1,083
Market value adjustments	91	0		1	92	(24)		68
Other operating income	7				7			7
Income	1,103	73	-	1	1,177	(19)	-	1,158
Staff costs and administrative expenses			(795)		(795)	(2)	(32)	(829)
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment			(31)		(31)			(31)
Other operating expenses			(7)		(7)			(7)
Impairment of loans and advances etc				80	80			80
Profit/(Loss) on holdings in associates and subsidiaries	2				2			2
Profit before tax	1,105	73	(833)	81	426	(21)	(32)	373
Q1 2020								
Net interest and fee income	877	74			951	(18)		933
Market value adjustments	77	(67)		0	10	(58)		(48)
Other operating income	4				4			4
Income	958	7	-	0	965	(76)	-	889
Staff costs and administrative expenses			(690)		(690)	(2)	(17)	(709)
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment			(23)		(23)			(23)
Other operating expenses			(5)		(5)			(5)
Impairment of loans and advances etc				(84)	(84)			84
Profit/(Loss) on holdings in associates and subsidiaries	2				2			2
Profit before tax	960	7	(718)	(84)	165	(78)	(17)	70

The Sydbank Group's internal financial reporting is not made on the basis of products and services. Reference is made to notes 2 and 4 for the distribution of interest income as well as fee and commission income.

Notes

Note 1

Accounting policies

The interim report covers the period from 1 January to 31 March 2021 and is prepared in compliance with IAS 34 “Interim Financial Reporting” as adopted by the EU and in compliance with Danish disclosure requirements for interim reports of listed financial companies. As a result of the use of IAS 34, the presentation is less complete compared with the presentation of an annual report and the recognition and measurement principles are in compliance with IFRS.

The accounting policies are consistent with those adopted in the 2020 Annual Report, to which reference is made.

The 2020 Annual Report provides a comprehensive description of the accounting policies applied.

Accounting estimates and judgements

The measurement of certain assets and liabilities requires that management makes accounting estimates as to how future events will affect the value of such assets, liabilities, income and costs. Actual results may deviate from such estimates.

The significant estimates made by management in the use of the Group’s accounting policies and the inherent considerable uncertainty of such estimates used in the preparation of the interim report are identical to those used in the preparation of the 2020 Annual Report.

Impairment of loans and advances and provisions for guarantees and undrawn credit commitments are made to take into account the expected losses on conclusion as well as any credit impairment after initial recognition. The determination of impairment charges for expected losses is subject to a number of estimates, including which loans and advances or portfolios of loans and advances are subject to credit impairment as well as calculation of expected losses.

Assessing the degree of credit impairment of exposures involves a number of estimates which may be subject to uncertainty.

To a large extent the determination of expected losses at exposure level is based on risk registrations, models and past experience but it also involves a number of estimates of risks and expected developments in the individual exposure, including the future ability to pay and the value of collateral which in particular comprises mortgages on property. During periods of uncertain economic trends or significant demographic or structural changes uncertainty is greater. This is reflected in the need for management adjustments that by their nature are subject to uncertainty.

The Group’s models to calculate impairment of exposures in stages 1 and 2 include expectations as to economic developments. The outlook is based on estimates of the probability of different outcomes of economic growth. The outlook results in a determination of the probability of the scenarios baseline, upturn and downturn. At 31 March 2021 the probability of the downturn scenario was fixed at 95% (2020: 95%).

Impairment of exposures in stage 3 and the weakest part of stage 2 is based on individual assessments which include expectations of future changes in collateral value etc.

In addition to the calculated impairment charges management estimates whether special impairment charges as regards severely impacted industries or customer segments etc are needed.

At 31 March 2021 an impairment charge of DKK 325m was recognised to cover the consequences of the Covid-19 outbreak on the Bank’s lending portfolio and therefore the estimate may change in the coming quarters.

The Group’s significant risks and the external elements which may affect the Group are described in greater detail in the 2020 Annual Report.

Notes

DKKm	Q1 2021	Q1 2020	Full year 2020
Note 2			
Interest income calculated using the effective interest method			
Amounts owed by credit institutions and central banks	2	5	27
Loans and advances and other amounts owed	407	405	1,530
Other interest income	0	2	1
Interest on amounts owed to credit institutions*	4	0	6
Interest on deposits*	104	57	260
Total	517	469	1,824
Other interest income			
Repo transactions with credit institutions and central banks and repo deposits*	8	9	29
Bonds	42	35	119
Total derivatives	34	26	121
comprising:			
Foreign exchange contracts	1	1	(4)
Interest rate contracts	33	25	125
Total	84	70	269
Total interest income	601	539	2,093
* Negative interest expense			
Fair value, designated at initial recognition	8	9	29
Fair value, held for trading	76	61	240
Assets recognised at amortised cost	517	469	1,824
Total	601	539	2,093

The Group's cash resources are primarily placed in Danish mortgage bonds. The interest rate risk concerning these positions has been reduced via derivatives. As a result the Group's external income statement is affected in terms of interest income and the market value adjustment of bonds and derivatives. The same applies to the Group's position-taking as regards bonds as well as shares. The breakdown by income statement item does not disclose income independently and consequently these items must be regarded as one as they are in "Segment reporting" as well as in the Group's financial review, which also takes funding of the positions into account.

Notes

DKKm	Q1 2021	Q1 2020	Full year 2020
Note 3			
Interest expense			
Reverse transactions with credit institutions and central banks and reverse loans and advances*	24	35	106
Amounts owed to credit institutions and central banks	4	3	9
Deposits and other debt	26	27	112
Bonds*	4	3	9
Bonds issued	32	27	111
Interest on amounts owed by credit institutions and central banks*	14	12	86
Subordinated capital	6	7	26
Other interest expense	1	1	3
Total	111	115	462
* Negative interest income			
Fair value, designated at initial recognition	24	35	106
Fair value, held for trading	4	3	9
Liabilities recognised at amortised cost	83	77	347
Total	111	115	462

Note 4

Fee and commission income			
Securities trading and custody accounts	250	209	774
Advisory fee, asset management	91	76	307
Payment services	68	73	273
Loan fees	61	53	198
Guarantee commission	39	34	146
Income concerning funded mortgage-like loans	25	34	117
Other fees and commission	134	105	393
Total fee and commission income	668	584	2,208
Fee expense, asset management	2	3	11
Other fee and commission expense	76	77	296
Total fee and commission expense	78	80	307
Net fee and commission income	590	504	1,901

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 represented DKK 4m in Q1 2021 (Q1 2020: DKK 3m) and has been deducted from commission received which is included under other fees and commission.

Notes

DKKm	Q1 2021	Q1 2020	Full year 2020
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Note 5

Market value adjustments

Other loans and advances and amounts owed at fair value	5	(2)	1
Bonds	(16)	(63)	(21)
Shares etc	50	16	142
Foreign exchange	51	45	166
Total derivatives	(23)	(44)	52
Assets related to pooled plans	611	(2,304)	300
Deposits in pooled plans	(611)	2,304	(300)
Other assets/liabilities	1	0	0
Total	68	(48)	340

Note 6

Staff costs and administrative expenses

Salaries and remuneration:

Group Executive Management	5	4	18
Board of Directors	2	1	6
Shareholders' Committee	1	1	4
Total	8	6	28

Staff costs:

Wages and salaries	393	325	1,265
Pensions	42	31	128
Social security contributions	4	4	14
Payroll tax	52	44	169
Total	491	404	1,576

Other administrative expenses:

IT	215	186	841
Rent etc	20	25	100
Marketing and entertainment expenses	15	19	68
Other costs	80	69	111
Total	330	299	1,120
Total	829	709	2,724

Note 7

Staff

Average number of staff (full-time equivalent)	2,237	2,039	2,047
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Notes

DKKm	Q1 2021	Q1 2020	Full year 2020
Note 8			
Other operating expenses			
Contribution to the Resolution Fund	7	5	23
Other expenses	-	-	-
Total	7	5	23
Note 9			
Impairment of loans and advances recognised in the income statement			
Impairment and provisions	(55)	81	(21)
Write-offs	6	21	189
Recovered from debt previously written off	31	18	120
Impairment of loans and advances etc	(80)	84	48
Impairment and provisions at end of period (allowance account)			
Stage 1	380	148	374
Stage 2	473	569	493
Stage 3	972	1,314	1,037
Management estimates	325	225	325
Impairment and provisions at end of period	2,150	2,256	2,229
Impairment and provisions			
Impairment and provisions at 1 Jan	2,229	2,244	2,244
New impairment charges and provisions during the period, net	(47)	92	24
Additions concerning portfolio acquired	-	-	200
Impairment charges previously recorded, now finally written off	32	80	239
Impairment and provisions at end of period	2,150	2,256	2,229
Impairment charges for loans and advances	1,979	2,084	2,049
Provisions for undrawn credit commitments	60	41	55
Provisions for guarantees	111	131	125
Impairment and provisions at end of period	2,150	2,256	2,229

Losses recognised for the period constitute DKK 38m. As regards losses recognised for the period a legal claim of DKK 23m has been upheld. As regards losses recognised a legal claim of DKK 440m has been upheld at year-end 2020.

Notes

Industry	Loans/advances and guarantees		Impairment charges and provisions		Impairment of loans and advances etc for the period		Loss for the period	
	31 Mar	31 Dec	31 Mar	31 Dec	Q1	Q1	Q1	Q1
	2021	2020	2021	2020	2021	2020	2021	2020
DKKm								
Note 9 – continued								
Loans and advances and guarantees as well as impairment charges for loans and advances etc by industry								
Agriculture, hunting, forestry and fisheries	3,822	3,728	320	413	(98)	(128)	15	11
<i>Pig farming</i>	938	798	41	45	4	(45)	8	0
<i>Cattle farming</i>	935	960	122	134	(22)	(34)	7	5
<i>Crop production</i>	793	889	40	63	(24)	(28)	0	2
<i>Other agriculture</i>	1,156	1,081	117	171	(56)	(21)	0	4
Manufacturing and extraction of raw materials	9,754	9,446	311	317	(27)	34	1	16
Energy supply etc	2,595	2,924	15	18	(3)	4	0	0
Building and construction	4,913	4,589	150	133	14	16	2	7
Trade	13,713	11,930	410	397	21	125	5	45
Transportation, hotels and restaurants	3,171	2,979	118	74	36	21	0	3
Information and communication	659	699	8	6	(1)	(1)	0	0
Finance and insurance	6,238	5,869	82	85	(2)	3	2	7
Real property	5,299	5,748	116	152	(32)	(11)	7	0
<i>Leasing of commercial property</i>	2,235	2,191	75	105	(27)	1	6	0
<i>Leasing of residential property</i>	864	953	25	28	(3)	(10)	1	0
<i>Housing associations and cooperative housing associations</i>	1,185	1,028	9	8	1	0	0	0
<i>Purchase, development and sale on own account</i>	931	1,488	5	9	(3)	(2)	0	0
<i>Other related to real property</i>	84	88	2	2	0	0	0	0
Other industries	3,827	3,725	118	112	8	33	0	0
Total corporate	53,991	51,637	1,648	1,707	(84)	96	32	89
Public authorities	38	37	-	-	-	-	-	-
Retail	29,960	30,081	502	522	4	(12)	6	12
Total	83,989	81,755	2,150	2,229	(80)	84	38	101

Notes

DKKm	Q1 2021	Q1 2020	Full year 2020
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Note 10

Profit/(Loss) on holdings in associates and subsidiaries

Profit/(Loss) on holdings in associates etc	2	2	8
Total	2	2	8

Note 11

Effective tax rate

Current tax rate of Sydbank	22.0	22.0	22.0
Permanent differences	0.0	(0.5)	(0.7)
Adjustment of prior year tax charges	0.0	0.5	0.4
Effective tax rate	22.0	22.0	21.7

DKKm	31 Mar 2021	31 Dec 2020	31 Mar 2020
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Note 12

Amounts owed by credit institutions and central banks

Amounts owed at notice by central banks	8,888	10,288	5,579
Amounts owed by credit institutions	8,720	4,140	8,086
Total	17,608	14,428	13,665
Of which reverse transactions	5,001	2,835	4,164

Notes

DKKm	Stage 1	Stage 2	Stage 3	Credit impaired at initial recog- nition	31 Mar 2021 Total	31 Dec 2020 Total
Note 13						
Loans and advances, guarantees and allowance account by stage						
Loans and advances before impairment charges	57,990	3,494	1,707	306	63,497	62,278
Guarantees	19,736	527	145	84	20,492	19,477
Total loans and advances and guarantees	77,726	4,021	1,852	390	83,989	81,755
%	92.5	4.8	2.2	0.5	100.0	100.0
Impairment charges for loans and advances	471	607	901		1,979	2,049
Provisions for undrawn credit commitments	32	20	8		60	55
Provisions for guarantees	15	33	63		111	125
Total allowance account	518	660	972	0	2,150	2,229
Allowance account at 1 Jan	512	680	1,037		2,229	2,244
New impairment charges and provisions during the period, net	6	(20)	(33)		(47)	24
Additions concerning portfolio acquired						200
Impairment charges previously recorded, now finally written off	-	-	(32)		(32)	(239)
Total allowance account at end of period	518	660	972	-	2,150	2,229
Impairment charges as % of loans and advances	0.8	17.4	52.8	-	3.1	3.3
Provisions as % of guarantees	0.1	6.3	43.4	-	0.5	0.6
Allowance account as % of loans and advances and guarantees	0.7	16.4	52.5	-	2.6	2.7
Loans and advances before impairment charges	57,990	3,494	1,707	306	63,497	62,278
Impairment charges for loans and advances	471	607	901	-	1,979	2,049
Loans and advances after impairment charges	57,519	2,887	806	306	61,518	60,229
%	93.5	4.7	1.3	0.5	100.0	100.0

Notes

DKKm	Stage 1	Stage 2	Stage 3	Credit impaired at initial recognition	31 Mar 2021 Total	31 Dec 2020 Total
Note 13 – continued						
Loans and advances before impairment charges						
Rating category						
1	5,337	3			5,340	5,299
2	16,921	2			16,923	16,565
3	16,357	14			16,371	16,033
4	8,640	35			8,675	7,996
5	4,208	616			4,824	4,648
6	1,391	570			1,961	1,827
7	132	549			681	578
8		262			262	394
9		1,406			1,406	2,765
Default		4	1,694		1,698	615
NR/STD	5,004	33	13	306	5,356	5,558
Total	57,990	3,494	1,707	306	63,497	62,278
Impairment of loans and advances						
Rating category						
1	1				1	1
2	67				67	67
3	39				39	39
4	74	1			75	71
5	39	36			75	74
6	19	41			60	52
7	7	124			131	102
8		59			59	95
9		340			340	965
Default			901		901	343
NR/STD	225	6			231	240
Total	471	607	901		1,979	2,049
Loans and advances after impairment charges						
Rating category						
1	5,336	3			5,339	5,298
2	16,854	2			16,856	16,498
3	16,318	14			16,332	15,994
4	8,566	34			8,600	7,925
5	4,169	580			4,749	4,574
6	1,372	529			1,901	1,775
7	125	425			550	476
8		203			203	299
9		1,066			1,066	1,800
Default		4	793		797	272
NR/STD	4,779	27	13	306	5,125	5,318
Total	57,519	2,887	806	306	61,518	60,229

Notes

DKKm	Stage 1	Stage 2	Stage 3	Credit impaired at initial recognition	31 Mar 2021 Total	31 Dec 2020 Total
Note 13 – continued						
Loans and advances before impairment charges						
1 Jan	56,621	3,440	1,916	301	62,278	62,616
Transfers between stages						
Additions concerning portfolio acquired						4,306
Transferred to stage 1	537	(448)	(89)			
Transferred to stage 2	(535)	671	(136)			
Transferred to stage 3	(22)	(190)	212			
New exposures	4,746	199	75		5,020	14,286
Redeemed exposures	(3,734)	(200)	(185)		(4,119)	(12,299)
Changes in balances	377	22	(50)	5	354	(6,203)
Write-offs			(36)		(36)	(428)
End of period	57,990	3,494	1,707	306	63,497	62,278
Impairment of loans and advances						
1 Jan	466	639	944		2,049	2,062
Transfers between stages						
Additions concerning portfolio acquired						191
Transferred to stage 1	125	(84)	(41)			
Transferred to stage 2	(5)	48	(43)			
Transferred to stage 3	0	(53)	53			
New exposures	31	53	49		133	373
Redeemed exposures	(19)	(27)	(95)		(141)	(262)
Changes in balances	(127)	31	66		(30)	(79)
Write-offs			(32)		(32)	(236)
End of period	471	607	901		1,979	2,049
Loans and advances after impairment charges						
1 Jan	56,155	2,801	972	301	60,229	60,554
Transfers between stages						
Additions concerning portfolio acquired						4,115
Transferred to stage 1	412	(364)	(48)			
Transferred to stage 2	(530)	623	(93)			
Transferred to stage 3	(22)	(137)	159			
New exposures	4,715	146	26		4,887	13,913
Redeemed exposures	(3,715)	(173)	(90)		(3,978)	(12,037)
Changes in balances	504	(9)	(116)	5	384	(6,124)
Write-offs			(4)		(4)	(192)
End of period	57,519	2,887	806	306	61,518	60,229

Notes

DKKm	31 Mar 2021	31 Dec 2020	31 Mar 2020
Note 14			
Other assets			
Positive market value of derivatives etc	4,076	4,762	5,419
Sundry debtors	1,087	1,198	959
Interest and commission receivable	180	167	105
Cash collateral provided, CSA agreements	1,949	2,043	2,159
Other assets	0	0	2
Total	7,292	8,170	8,644
Note 15			
Amounts owed to credit institutions and central banks			
Amounts owed to central banks	5	13	721
Amounts owed to credit institutions	6,821	7,080	6,867
Total	6,826	7,093	7,588
Of which repo transactions	3,957	2,483	3,805
Note 16			
Deposits and other debt			
On demand	85,136	87,338	75,898
At notice	229	252	180
Time deposits	3,521	3,732	2,500
Special categories of deposits	4,146	4,597	3,630
Total	93,032	95,919	82,208
Of which repo transactions	3,207	3,456	2,231
Note 17			
Other liabilities			
Negative market value of derivatives etc	4,275	4,884	5,688
Sundry creditors	4,094	4,735	4,506
Negative portfolio, reverse transactions	10,912	7,941	10,863
Lease liability	98	106	70
Interest and commission etc	47	83	46
Cash collateral received, CSA agreements	663	716	594
Total	20,089	18,465	21,767

Notes

DKKm	31 Mar 2021	31 Dec 2020	31 Mar 2020
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Note 18

Provisions

Provisions for pensions and similar obligations	2	6	3
Provisions for deferred tax	306	306	291
Provisions for guarantees	137	161	131
Other provisions*	60	56	43
Total	505	529	468

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

Note 19

Subordinated capital

Interest rate	Note		Nominal (m)	Maturity			
2.125 (fixed)	1)	Bond loan	EUR 100	11 Mar 2027	743	743	745
1.302 (floating)	2)	Bond loan	EUR 75	2 Nov 2029	556	556	558
Minus 0.042 (floating)	3)	Bond loan	EUR 75	Perpetual	558	558	560
Total T2 capital					1,857	1,857	1,863
Total subordinated capital					1,857	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%.

Costs relating to the raising and redemption of subordinated capital	0	0	0
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Note 20

Contingent liabilities and other obligating agreements

Contingent liabilities

Financial guarantees	5,918	5,054	4,333
Mortgage finance guarantees	5,158	5,135	3,605
Funded mortgage-like loan guarantees	1,124	1,197	1,426
Registration and remortgaging guarantees	5,778	6,157	5,182
Other contingent liabilities	2,514	1,934	1,684
Total	20,492	19,477	16,230

Other obligating agreements

Irrevocable credit commitments	1,078	1,369	864
Other liabilities	7	8	12
Total	1,085	1,377	876

Notes

DKKm	31 Mar 2021	31 Dec 2020	31 Mar 2020
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Note 20 – continued

Totalkredit loans arranged for by Sydbank are comprised by an agreed right of set-off against future current commission which Totalkredit may invoke in the event of losses on the loans arranged.

Sydbank does not expect that this set-off will have a significant effect on Sydbank's financial position.

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

As a result of the statutory participation in the deposit guarantee scheme, the industry paid an annual contribution of 2.5% of covered net deposits until the Banking Department's capital exceeded 1% of total covered net deposits, which was reached at year-end 2015. The Banking Department will cover the direct losses in connection with the winding-up of distressed financial institutions under Bank Package III and Bank Package IV which are attributable to covered net deposits. Any losses as a result of the final winding-up will be covered by the Guarantee Fund via the Winding-up and Restructuring Department as regards which Sydbank is currently liable for 6.7% of any losses.

As a result of the statutory participation in the resolution financing arrangement (the Resolution Fund), credit institutions pay an annual contribution over a 10-year period to reach a target funding level totalling 1% of covered deposits. Credit institutions must make contributions to the fund according to their relative size and risk in Denmark. Sydbank expects that contributions will total approximately DKK 200m over a 10-year period.

The Group is party to legal actions. These legal actions are under continuous review and the necessary provisions made are based on an assessment of the risk of loss. Pending legal actions are not expected to have any significant effect on the financial position of the Group.

Note 21

Collateral

At 31 March 2021 the Group had deposited as collateral securities at a market value of DKK 204m 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 1,949m and deposited as collateral securities at a market value of DKK 14m.

In connection with repo transactions, which involve selling securities to be repurchased at a later date, the securities remain on the balance sheet and consideration received is recognised as a debt. Repo transaction securities are treated as assets provided as collateral for liabilities. Counterparties are entitled to sell the securities or deposit them as collateral for other loans.

In connection with reverse transactions, which involve purchasing securities to be resold at a later date, the Group is entitled to sell the securities or deposit them as collateral for other loans. The securities are not recognised in the balance sheet and consideration paid is recognised as a receivable.

Assets received as collateral in connection with reverse transactions may be sold to a third party. In such cases a negative portfolio may arise as a result of the accounting rules. This is recognised under "Other liabilities".

Assets sold as part of repo transactions

Bonds at fair value	7,131	5,930	6,046
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Assets purchased as part of reverse transactions

Bonds at fair value	23,339	21,029	23,958
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Notes

DKKm	Q1 2021	Q1 2020	Index 21/20	31 Dec 2020
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Note 22

Related parties

Sydbank is the bank of a number of related parties. Transactions with related parties are settled on an arm's length basis.

No unusual transactions took place with related parties in Q1 2021. Reference is made to the Group's 2020 Annual Report for a detailed description of related party transactions.

Note 23

Reporting events occurring after the balance sheet date

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

Note 24

Large shareholders

Silchester International Investors LLP, London, owns more than 10.0% of the total share capital of Sydbank A/S.

Note 25

Core income

Net interest etc	434	389	112	1,476
Mortgage credit*	176	154	114	607
Payment services	47	40	118	152
Remortgaging and loan fees	53	48	110	172
Commission and brokerage	134	107	125	372
Commission etc investment funds and pooled pension plans	83	73	114	278
Asset management	89	70	127	288
Custody account fees	25	20	125	88
Other operating income	64	59	108	237
Total	1,105	960	115	3,670

* Mortgage credit

Totalcredit cooperation	145	126	115	493
Totalcredit, set-off of loss	4	3	133	13
Totalcredit cooperation, net	141	123	115	480
DLR Kredit	35	30	117	126
Other mortgage credit income	0	1	0	1
Total	176	154	114	607

Notes

DKKm	Mandatory fair value (trading portfolio)	Fair value option	FVOCI	Total fair value	31 Mar 2021 AMC
Note 26					
Fair value disclosure					
Financial instruments are included in the balance sheet either at fair value or at amortised cost. The table below breaks down financial instruments by valuation technique.					
Financial assets					
Cash and balances on demand at central banks				-	2,237
Amounts owed by credit institutions and central banks	5,001			5,001	12,607
Loans and advances at fair value	18,196			18,196	-
Loans and advances at amortised cost				-	61,518
Bonds at fair value	18,278	14,305		32,583	-
Shares etc	205	2,097	179	2,481	-
Assets related to pooled plans		20,346		20,346	-
Land and buildings			1,172	1,172	-
Other assets	4,110	33		4,143	3,151
Total	45,790	36,781	1,351	83,922	79,513
Undrawn credit commitments				-	52,733
Maximum credit risk, collateral not considered	45,790	36,781	1,351	83,922	132,246
Financial liabilities					
Amounts owed to credit institutions and central banks	3,957			3,957	2,869
Deposits and other debt	3,207			3,207	89,825
Deposits in pooled plans		20,346		20,346	-
Bonds issued at amortised cost				-	9,595
Other liabilities	15,191			15,191	705
Subordinated capital				-	1,857
Total	22,355	20,346	-	42,701	104,851

Notes

DKK m	Mandatory fair value (trading portfolio)	Fair value option	FVOCI	Total fair value	31 Dec 2020 AMC
Note 26 – continued					
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

To take into account changes in credit risk concerning derivatives with positive fair value, an adjustment is made – CVA. CVA is a function of the risk of counterparty default (PD), the expected positive exposure and the loss ratio in the event of default. PD is determined on the basis of the Group's credit models – default probability in 12 months. PD beyond 12 months is adjusted on the basis of market data of exposures with a similar PD level. At 31 March 2021 CVA constituted DKK 19m compared to DKK 19m at year-end 2020.

Client margins recognised in connection with derivatives are amortised over the life of the transaction. At 31 March 2021 client margins presently not recognised as income totalled DKK 20m compared to DKK 21m at year-end 2020.

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 324m (31 December 2020: DKK 327m).

Notes

DKKm	Quoted prices	Observable inputs	Unobservable inputs	Total fair value	Carrying amount
Note 26 – continued					
31 Mar 2021					
Financial assets					
Amounts owed by credit institutions and central banks		5,001		5,001	5,001
Loans and advances at fair value		18,196		18,196	18,196
Bonds at fair value		32,583		32,583	32,583
Shares etc	362	50	2,069	2,481	2,481
Assets related to pooled plans	12,834	7,512		20,346	20,346
Land and buildings			1,172	1,172	1,172
Other assets	437	3,705		4,142	4,142
Total	13,633	67,047	3,241	83,921	83,921
Financial liabilities					
Amounts owed to credit institutions and central banks		3,957		3,957	3,957
Deposits and other debt		3,207		3,207	3,207
Deposits in pooled plans		20,346		20,346	20,346
Other liabilities	397	14,794		15,191	15,191
Total	397	42,304	-	42,701	42,701
31 Dec 2020					
Financial assets					
Amounts owed by credit institutions and central banks		2,835		2,835	2,835
Loans and advances at fair value		17,961		17,961	17,961
Bonds at fair value		36,942		36,942	36,942
Shares etc	298	19	2,092	2,409	2,409
Assets related to pooled plans	8,785	10,988		19,773	19,773
Land and buildings			1,180	1,180	1,180
Other assets	442	4,420		4,862	4,862
Total	9,525	73,165	3,272	85,962	85,962
Financial liabilities					
Amounts owed to credit institutions and central banks		2,483		2,483	2,483
Deposits and other debt		3,456		3,456	3,456
Deposits in pooled plans		19,773		19,773	19,773
Other liabilities	403	12,425		12,828	12,828
Total	403	38,137	-	38,540	38,540

DKKm	31 Mar 2021	31 Dec 2020	31 Mar 2020
Assets measured on the basis of unobservable inputs			
Carrying amount at 1 Jan	2,092	1,863	1,863
Additions	-	157	-
Disposals	63	46	-
Market value adjustment	40	118	36
Carrying amount at end of period	2,069	2,092	1,899
Recognised in profit for the period			
Dividend	0	18	0
Market value adjustment	40	117	36
Total	40	135	36

Notes

DKKm	31 Mar 2021	31 Dec 2020	31 Mar 2020
Note 27			
Leverage ratio			
Leverage ratio exposures			
Total assets	164,811	165,800	150,196
Of which pooled assets	(20,346)	(19,773)	(17,106)
Correction derivatives etc	8,978	5,878	6,710
Guarantees etc	20,493	19,477	16,230
Undrawn credit commitments etc	11,141	10,449	10,556
Other adjustments	(1,152)	(1,310)	(1,093)
Total	183,925	180,521	165,493
T1 capital – current (transitional rules)	11,025	11,041	10,904
T1 capital – fully loaded	10,969	10,930	10,792
Leverage ratio (%) – current (transitional rules)	6.0	6.1	6.6
Leverage ratio (%) – fully loaded	6.0	6.1	6.5

31 Mar 2021	Activity	Share capital (m)	Equity (DKKm)	Profit/(Loss) (DKKm)	Ownership share (%)	
Note 28						
Group holdings and enterprises						
Sydbank A/S		DKK	597			
Consolidated subsidiaries						
Syd ABB A/S	Invt & admin.	DKK	1,021	1,098	(2)	100
Ejendomsselskabet AB ApS, Copenhagen	Real property	DKK	1	14	0	100
Ejendomsselskabet af 1. juni 1986 A/S, Aabenraa	Real property	DKK	11	13	1	100
Syd Administration A/S, Aabenraa	Invt & admin.	DKK	300	2,031	1	100
Syd Fund Management A/S, Aabenraa	Administration	DKK	100	113	13	67
Held for sale						
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

* Financial information according to the companies' most recently published annual reports (2020).

Management Statement

We have reviewed and approved the Interim Report – Q1 2021 of Sydbank A/S.

The consolidated interim financial statements are prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by the EU. Furthermore the interim financial statements (of the parent company) are prepared in compliance with Danish disclosure requirements for interim reports of listed financial companies. Furthermore the consolidated financial statements are prepared in compliance with Danish disclosure requirements for listed financial companies.

The Interim Report has not been audited or reviewed.

In our opinion the interim financial statements give a true and fair view of the Group’s and the parent company’s assets, equity and liabilities and financial position at 31 March 2021 and of the results of the Group’s and the parent company’s operations and consolidated cash flows for the period 1 January – 31 March 2021.

Moreover it is our opinion that the management’s review includes a fair review of the developments in the Group’s and the parent company’s operations and financial position as well as a description of the most significant risks and elements of uncertainty which may affect the Group and the parent company.

Aabenraa, 28 April 2021

Group Executive Management

Karen Frøsig
CEO

Henning Dam

Bjarne Larsen

Jørn Adam Møller

Board of Directors

Lars Mikkjelgaard-Jensen
Chairman

Jacob Chr. Nielsen
Vice-Chairman

Carsten Andersen

Henrik Hoffmann

Søren Holm

Kim Holmer

Janne Moltke-Leth

Jarl Oxlund

Gitte Poulsen

Susanne Schou

Jon Stefansson

Jørn Krogh Sørensen

Supplementary Information

Financial calendar

In 2021 the Group's preliminary announcement of financial statements will be released as follows:

- Interim Report – First Half 2021
25 August 2021
- Interim Report – Q1-Q3 2021
27 October 2021

Sydbank contacts

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Relevant links

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For further information reference is made to Sydbank's 2020 Annual Report at www.sydbank.com.