

# Annual Report 2021

Sydbank Group

Sydbank

**Sydbank**  
Denmark's Corporate Bank









## Preface

### Solid growth in lending and earnings

The Sydbank Group's 2021 financial statements show a profit before tax of DKK 1,764m compared to DKK 1,021m in 2020. The increase of DKK 743m is primarily attributable to a net reversal of impairment charges of DKK 415m, high customer activity and the acquisition of Alm. Brand Bank. Profit before tax equals a return of 14.1% p.a. on average equity.

Profit for the year represents DKK 1,411m against DKK 799m in 2020, equal to a return on average equity of 11.2% after tax. At the beginning of 2021 profit after tax was projected to be in the range of DKK 850-1,150m.

CEO Karen Frøsig comments on the year's results:

– It is good news that after another unusual year of covid we can deliver an impressive growth in lending of DKK 6.8bn, equal to 11.3%. On top of this good credit quality allows us to reverse impairment charges of DKK 415m in 2021.

Karen Frøsig comments on the transition to the new strategy:

– It is positive that as we embark on the new strategy – Growing our business – we have a sound foundation where we are attracting new good customers from every significant segment on the back of the campaign "Denmark's Corporate Bank" and are thus creating the basis for growth in earnings and business volume.

Board chairman Lars Mikkjelgaard-Jensen comments:

– The Bank's strong capital position and satisfactory earnings enable us to distribute DKK 1,131m, equal to approx 80% of profit for 2021. 50% of profit will be distributed as dividend and the rest via a new share buyback programme of DKK 425m. Following distribution the Bank will continue to be well capitalised.

#### Outlook for 2022

- Growth is projected in the Danish economy in 2022.
- Core income is expected to be higher than in 2021.
- Costs (core earnings) are projected to be lower than in 2021.
- Impairment charges for 2022 are forecast to be at a low level.
- Non-recurring costs are expected to be in the range of DKK 50-60m. This is an investment in the future and concerns the automation of housing loan processes and an investment in the bank/insurance partnership.
- Profit after tax is expected to be in the range of DKK 1,150-1,450m.
- The outlook for 2022 is subject to uncertainty and depends on financial market developments and macroeconomic factors.

#### 2021 highlights

- A 20% increase in total income
- A rise in costs (core earnings) of 15%
- Impairment charges for loans and advances represent an income of DKK 415m
- Non-recurring items etc represent an expense of DKK 180m
- Increase in profit for the year of DKK 612m to DKK 1,411m
- Bank loans and advances of DKK 67.0bn
- Deposits of DKK 93.9bn
- A capital ratio of 22.8%, including a CET1 ratio of 17.9%
- A proposed dividend of DKK 12.00 per share
- New share buyback programme of DKK 425m to be initiated.



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The 2021 Annual Report is available in Danish at [sydbank.dk](http://sydbank.dk) and in English at [sydbank.com](http://sydbank.com).  
In case of doubt the Danish version applies.



Profit for the year

**1,411**

DKKm

ROE **11.2%**

Core income **DKK 4,436m**

Costs (core earnings) **DKK 3,117m**

Impairment of loans and advances **minus DKK 415m**

Dividend **50% of profit for the year** (DKK 12.00 per share)

Bank loans and advances **DKK 67.0bn**

Total credit intermediation **DKK 175.3bn**



# Group Financial Highlights

	2021	2020	Index 21/20	2019	2018	2017*
<b>Income statement (DKKm)</b>						
Core income	4,436	3,670	121	3,655	3,951	4,167
Trading income	291	278	105	224	138	233
<b>Total income</b>	<b>4,727</b>	<b>3,948</b>	<b>120</b>	<b>3,879</b>	<b>4,089</b>	<b>4,400</b>
Costs, core earnings	3,177	2,774	115	2,783	2,722	2,637
<b>Core earnings before impairment</b>	<b>1,550</b>	<b>1,174</b>	<b>132</b>	<b>1,096</b>	<b>1,367</b>	<b>1,763</b>
Impairment of loans and advances etc	(415)	47	-	(97)	(122)	(51)
<b>Core earnings</b>	<b>1,965</b>	<b>1,127</b>	<b>174</b>	<b>1,193</b>	<b>1,489</b>	<b>1,814</b>
Investment portfolio earnings	(21)	(31)	-	(61)	(127)	182
<b>Profit before non-recurring items</b>	<b>1,944</b>	<b>1,096</b>	<b>177</b>	<b>1,132</b>	<b>1,362</b>	<b>1,996</b>
Non-recurring items, net	(180)	(75)	-	(51)	58	(40)
<b>Profit before tax</b>	<b>1,764</b>	<b>1,021</b>	<b>173</b>	<b>1,081</b>	<b>1,420</b>	<b>1,956</b>
Tax	353	222	159	228	259	425
<b>Profit for the year</b>	<b>1,411</b>	<b>799</b>	<b>177</b>	<b>853</b>	<b>1,161</b>	<b>1,531</b>

<b>Balance sheet highlights (DKKbn)</b>						
Loans and advances at amortised cost	67.0	60.2	111	60.6	61.0	64.3
Loans and advances at fair value	16.9	18.0	94	12.6	6.5	5.2
Deposits and other debt	93.9	95.9	98	84.3	86.3	82.7
Bonds issued at amortised cost	13.3	9.6	139	7.4	3.7	3.7
Subordinated capital	1.9	1.9	100	1.9	1.9	1.9
AT1 capital	0.8	0.8	100	0.8	0.8	-
Shareholders' equity	12.4	11.7	106	11.0	10.9	11.9
Total assets	168.2	165.8	101	147.7	140.5	138.5

<b>Financial ratios per share (DKK per share of DKK 10)</b>						
EPS	23.0	12.8		13.4	17.6	22.4
Share price at year-end	206.8	134.5		139.8	155.1	249.9
Book value	212.6	197.6		184.9	179.0	178.3
Share price/book value	0.97	0.68		0.76	0.87	1.40
Average number of shares outstanding (in millions)	59.2	59.0		60.4	64.8	68.4
Proposed dividend	12.00	4.00		-	9.36	11.31
Dividend for 2019 (paid out)	5.70					

<b>Other financial ratios and key figures</b>						
CET1 ratio	17.9	18.8		17.8	17.3	17.3
T1 capital ratio	19.3	20.4		19.4	19.0	17.7
Capital ratio	22.8	24.0		22.9	22.4	20.8
Pre-tax profit as % of average equity	14.1	8.6		9.7	12.5	16.8
Post-tax profit as % of average equity	11.2	6.6		7.5	10.2	13.1
Costs (core earnings) as % of total income	67.2	70.3		71.7	66.6	59.9
Return on assets (%)	0.84	0.51		0.59	0.83	1.07
Interest rate risk	1.6	1.6		1.6	1.3	0.8
Foreign exchange position	1.1	1.2		1.6	1.3	1.2
Foreign exchange risk	0.0	0.0		0.0	0.0	0.0
Liquidity, LCR (%)	200	210		174	184	176
Loans and advances relative to deposits	0.6	0.5		0.6	0.6	0.6
Loans and advances relative to equity	5.4	5.1		5.5	5.6	5.4
Growth in loans and advances for the year	11.3	(0.5)		(0.7)	(5.2)	(16.7)
Total large exposures	140	149		143	147	131
Accumulated impairment ratio	2.2	2.7		2.7	3.8	3.6
Impairment ratio for the year	(0.5)	0.1		(0.1)	(0.2)	(0.1)
Number of full-time staff at year-end	2,077	2,286	91	2,030	2,098	2,064

\* 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 116. 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

## Solid growth in lending and earnings

Sydbank's financial statements for 2021 show a profit before tax of DKK 1,764m compared to DKK 1,021m in 2020. Profit equals a return of 14.1% p.a. on average equity.

Profit before tax shows an increase of DKK 743m, which is primarily attributable to a net reversal of impairment charges of DKK 415m, high customer activity as well as the acquisition of Alm. Brand Bank combined with tight cost control.

Profit for the year represents DKK 1,411m compared to DKK 799m in 2020, equal to a return on average equity of 11.2% after tax.

In connection with the release of the 2020 Annual Report, profit after tax was expected to be in the range of DKK 850-1,150m in 2021. In July 2021 expectations were adjusted upwards to DKK 1,150-1,350m. In October 2021 the Bank raised its expectations to DKK 1,300-1,450m.

### Growing our business – new 3-year plan

In view of the satisfactory results achieved during the strategy period 2019-2021, the Group has launched a new 3-year strategy plan for 2022-2024. The new strategy plan seeks to ensure that on the back of the results achieved in preceding years the Bank will grow and become more profitable. The strategy is called: “**Growing our business**”.

**Growing our business** centres on 3 themes:

- Better known and bigger
- Sound business
- Stronger competitive position.

#### **Better known and bigger** – profitable growth

Sydbank has a good reputation – and needs to be better known. On the back of Denmark's Corporate Bank we will increase awareness of Sydbank focusing in particular on large towns and cities. Our growth is profitable and organic and we are in good shape for friendly takeovers. We will incorporate ESG and sustainability in the Bank's products and processes.

#### **Sound business** – higher earnings

At Sydbank focus is on banking and sound business. Our employees are highly qualified, proactive and value-creating. We work on the principle of quid pro quo and will increase the Bank's earnings.

#### **Stronger competitive position** – efficient bank

We will prioritise the Bank's efforts and reduce costs. We will optimise working procedures and processes to reduce time spent, enhance quality and shorten response times to customers. As a decent and responsible bank our constant focus is on compliance, including IT security.

#### **Strategic goals**

##### Awareness

By means of targeted efforts we will increase awareness of Sydbank and our qualities. We will elevate unaided brand awareness from its current level of around 20% to around 40% by the end of the strategy period.

##### Return on equity

We will continue to deliver competitive returns to the Bank's shareholders and our goal is a return on equity in the region of 10% in 2024. The expectation of a return on equity in the region of 10% is based on a normalised level of impairment charges in 2024.

##### Rate of costs

We will continue to work on striking a better balance between income and costs. This will be achieved by continuing to increase income while lowering costs. Lower costs will be achieved by prioritising our initiatives, gaining a better understanding of costs throughout the organisation and continuing to ensure a powerful engine room.

The rate of costs – 67.2% in 2021 – is expected to have improved to around 60% by the end of the strategy period.

#### **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.

# Summary

## 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 31.

## Results for 2021

Net interest income has risen by DKK 300m or 20% to DKK 1,776m. The increase is attributable to a higher demand for loans by corporate clients as well as the acquisition of Alm. Brand Bank. Corporate clients' drawings under credit facilities have been affected by for instance a phasing-out of the government's relief packages, which included a deferral of VAT and tax payments.

Total core income has risen by DKK 766m to DKK 4,436m. The increase is primarily a result of higher activity, a rise in loans and advances to corporate clients and the acquisition of Alm. Brand Bank.

Trading income has gone up by DKK 13m to DKK 291m.

Total income has increased by DKK 779m to DKK 4,727m.

Costs (core earnings) have gone up by DKK 403m to DKK 3,177m. The increase is attributable to the acquisition of Alm. Brand Bank.

Impairment charges for loans and advances represent an income of DKK 415m. In 2020 the impairment charges constituted an expense of DKK 47m.

Core earnings for 2021 represent DKK 1,965m – an increase of DKK 838m compared with 2020.

Together the Group's position-taking and liquidity handling generated negative earnings of DKK 21m in 2021 compared to negative earnings of DKK 31m in 2020.

Profit before tax constitutes DKK 1,764m compared to DKK 1,021m in 2020. Tax has been calculated at DKK 353m. Profit for the year amounts to DKK 1,411m compared to DKK 799m in 2020.

Bank loans and advances totalled DKK 67.0bn at year-end 2021, equal to a rise of DKK 6.8bn or 11%.

Total credit intermediation represented DKK 175.3bn at year-end 2021 and rose by DKK 9.7bn in 2021, equal to 6% in 2021.

Return on shareholders' equity before and after tax constitutes 14.1% and 11.2% respectively against 8.6% and 6.6% respectively in 2020.

Earnings per share stands at DKK 23.0 compared to DKK 12.8 in 2020.

During the year shareholders' equity went up by DKK 701m to DKK 12,413m. The change comprises additions from profit for the year of DKK 1,483m, net purchases of own shares of DKK 198m, dividend paid of DKK 588m as well as other equity adjustments of DKK 4m.

Less the proposed dividend, the CET1 ratio and the capital ratio stood at 17.9% and 22.8% respectively at year-end 2021 compared to 18.8% and 24.0% respectively at year-end 2020.

At 31 December 2021 the individual solvency need represented 10.6% (2020: 10.8%).

## SIFI

Sydbank has been designated as a SIFI (systemically important financial institution) in Denmark and for Sydbank 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%, a T1 capital ratio of around 16.0% and a capital ratio of around 18.5%.

## Proposed dividend for 2021

The Board of Directors proposes – in compliance with the Bank's dividend policy – that a dividend of DKK 12.00 per share, equal to 50% of the Group's profit after tax, be distributed and that DKK 12m be donated to the sponsorship fund Sydbank Fonden.

No dividend will be distributed as regards the shares acquired in connection with the share buyback programme completed in 2021.

## Share buyback in 2022

Following distribution of the proposed dividend, the capital ratios will remain above the capital targets. As a result the Board of Directors has decided to implement a share buyback totalling DKK 425m in 2022.

The Group will continue to be well capitalised after the proposed dividend distribution and the share buyback.



### **Outlook for 2022**

Growth is projected in the Danish economy in 2022.

Core income is expected to be higher than in 2021.

Costs (core earnings) are projected to be lower than in 2021.

Impairment charges for 2022 are forecast to be at a low level.

Non-recurring costs are expected to be in the range of DKK 50-60m. This is an investment in the future and concerns the automation of housing loan processes and an investment in the bank/insurance partnership.

Profit after tax is expected to be in the range of DKK 1,150-1,450m.

The outlook for 2022 is subject to uncertainty and depends on financial market developments and macroeconomic factors.

# Performance in 2021

The Sydbank Group has recorded a profit before tax of DKK 1,764m compared to DKK 1,021m in 2020. Profit before tax equals a return of 14.1% p.a. on average equity.

Profit for the year represents DKK 1,411m compared to DKK 799m in 2020, equal to a return on average equity of 11.2% after tax.

In connection with the release of the 2020 Annual Report, profit after tax was expected to be in the range of DKK 850-1,150m in 2021.

In July 2021 the Bank revised its expectations upwards and profit after tax was expected to be in the range of DKK 1,150-1,350m in 2021.

In October 2021 the Bank raised its expectations for 2021 again and profit after tax was expected to be in the range of DKK 1,300-1,450m.

The financial statements are characterised by the following:

## 2021

- A rise in core income of 21% of which 12% is attributable to the acquisition of Alm. Brand Bank
- An increase in trading income of 5%
- A rise in costs (core earnings) of 15% which is attributable to the acquisition of Alm. Brand Bank
- Impairment charges for loans and advances represent an income of DKK 415m
- A rise in core earnings of DKK 838m to DKK 1,965m
- Negative investment portfolio earnings of DKK 21m
- Non-recurring items etc represent an expense of DKK 180m
- Bank loans and advances of DKK 67.0bn (2020: DKK 60.2bn)
- Deposits of DKK 93.9bn (2020: DKK 95.9bn)
- A capital ratio of 22.8%, including a CET1 ratio of 17.9%
- An individual solvency need of 10.6%
- A proposed dividend of DKK 12.00 per share.

## Q4

- Profit for the period after tax amounts to DKK 398m
- Impairment charges for loans and advances represent an income of DKK 104m.

## Income statement

Group (DKKm)	2021	2020
Core income	4,436	3,670
Trading income	291	278
<b>Total income</b>	<b>4,727</b>	<b>3,948</b>
Costs, core earnings	3,177	2,774
<b>Core earnings before impairment</b>	<b>1,550</b>	<b>1,174</b>
Impairment of loans and advances etc	(415)	47
<b>Core earnings</b>	<b>1,965</b>	<b>1,127</b>
Investment portfolio earnings	(21)	(31)
<b>Profit before non-recurring items</b>	<b>1,944</b>	<b>1,096</b>
Non-recurring items, net	(180)	(75)
<b>Profit before tax</b>	<b>1,764</b>	<b>1,021</b>
Tax	353	222
<b>Profit for the year</b>	<b>1,411</b>	<b>799</b>

## Acquisition of Alm. Brand Bank

On 30 November 2020 Sydbank acquired 100% of the share capital in Alm. Brand Bank and the integration was completed in connection with the final data conversion in September 2021.

As part of the acquisition of Alm. Brand Bank Sydbank took over the subsidiary Alm. Brand Leasing, which was sold to Opendo on 1 March 2021.

The reason for the sale was that Sydbank's leasing set-up is based on finance leasing while the primary focus of Alm. Brand Leasing was operating leasing. With Opendo as the new owner, the focus of the owners will be on operating leasing.

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

The partnership established with Alm. Brand Forsikring progressed as planned in 2021 and is generating an increased business volume and earnings for both parties.

## Core income

Total core income has risen by DKK 766m or 21% to DKK 4,436m. The increase is primarily a result of higher activity, a rise in loans and advances to corporate clients and the acquisition of Alm. Brand Bank.

Net interest income has gone up by DKK 300m or 20% to DKK 1,776m. The rise is due to a higher demand for loans by corporate clients as well as the acquisition of Alm. Brand Bank. Corporate clients' drawings under credit facilities have been affected by for instance a phasing-out of the government's relief packages, which included a deferral of VAT and tax payments.

Net income from the cooperation with Totalkredit represents DKK 544m (2020: DKK 480m) after a set-off of loss of DKK 13m (2020: DKK 13m). The cooperation with DLR Kredit has generated an income of DKK 147m (2020: DKK 126m). Compared to 2020 total mortgage credit income has gone up by DKK 86m to DKK 693m – an increase of 14%.

Income from payment services has risen by DKK 51m to DKK 203m – an increase of 34% compared to 2020.

Commission and brokerage income has increased by DKK 98m to DKK 470m – an increase of 26% compared to 2020.

Income from commission etc concerning investment funds and pooled pension plans has gone up by DKK 62m to DKK 340m – an increase of 22% compared to 2020 as a result of an increased volume and the acquisition of Alm. Brand Bank.

The remaining income components have risen by DKK 169m compared to 2020.

#### Core income

Group (DKKm)	2021	2020
Net interest etc	1,776	1,476
Mortgage credit	693	607
Payment services	203	152
Remortgaging and loan fees	169	172
Commission and brokerage	470	372
Commission etc investment funds and pooled pension plans	340	278
Asset management	380	288
Custody account fees	115	88
Other operating income	290	237
<b>Total</b>	<b>4,436</b>	<b>3,670</b>

#### Trading income

Trading income has risen by DKK 13m to DKK 291m compared to 2020.

In Fixed Income high trading activity was recorded in mortgage bonds in 2021.

#### Costs and depreciation

The Group's total costs and depreciation have risen by DKK 553m to DKK 3,409m. The increase is predominantly attributable to the acquisition and integration of Alm. Brand Bank as well as residual depreciation of the capital market platform the joint development of which at Bankdata was completed in 2021.

For more details on non-recurring costs, see the paragraph on page 17.

#### Costs and depreciation

Group (DKKm)	2021	2020
Staff costs	1,847	1,604
Other administrative expenses	1,391	1,120
Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	138	109
Other operating expenses	33	23
<b>Total</b>	<b>3,409</b>	<b>2,856</b>
Distributed as follows:		
Costs, core earnings	3,177	2,774
Costs, investment portfolio earnings	7	7
Non-recurring costs	225	75

Costs (core earnings) represent DKK 3,177m against DKK 2,774m in 2020 – an increase of DKK 403m.

At year-end 2021 the Group's staff numbered 2,077 (full-time equivalent) compared to 2,286 in 2020.

The number of branches has gone down by 1 compared to year-end 2020 and at year-end 2021 there were 55 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 1,965m – an increase of DKK 838m compared to 2020.

#### Impairment of loans and advances etc

Impairment charges for loans and advances represent an income of DKK 415m. In 2020 impairment charges constituted an expense of DKK 47m.

#### Mink farming

In 2021 impairment charges totalling DKK 109m related to customers within mink farming were reversed.

#### Conversion of debt to subordinated loan capital

At the end of 2016 and the beginning of 2017 Sydbank converted debt to subordinated loan capital totalling DKK 608m for 61 agricultural clients. The amount converted was written off. The majority of the conversions took place in 2016 stipulating repayment after 5 years typically at price 50. 40 farmers have repaid a total of DKK 164m in subordinated loan capital, including DKK 124m in 2021. It is expected that additional repayments will take place in 2022.

At 31 December 2021 the Group's unsecured loans and advances in the weakest rating categories 7-9 (excluding agriculture) amounted to DKK 489m. These loans and advances are not sub-

# Performance in 2021

ject 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 over 25%.

Furthermore impairment charges include a management estimate of DKK 200m to cover unforeseen events as a result of covid-19 as regards the remaining part of the lending portfolio in rating categories 1-6, the credit risk of which is satisfactory or normal.

Consequently management estimates as a result of covid-19 total DKK 325m, which is unchanged compared to year-end 2020. Impairment charges for loans and advances to pig farming comprise a new management estimate of DKK 60m (2020: DKK 0m).

The Group's total lending to the entertainment industry, retailers and small businesses constitutes DKK 3.3bn, equal to 4.9% of total loans and advances of DKK 67.0bn.

Reference is made to the separate publication Credit Risk 2021, which is available at [sydbank.com](http://sydbank.com), for further information.

At year-end 2021 the impairment ratio for the year represented minus 0.6% relative to bank loans and advances and minus 0.5% relative to bank loans and advances and guarantees.

At 31 December 2021 accumulated impairment and provisions amounted to DKK 1,974m (2020: DKK 2,229m).

## Impairment charges for the year by industry

Group (DKKm)	2021	2020
Agriculture etc	(251)	(219)
Trade	(1)	131
Real property	(30)	(35)
Other industries	(33)	248
<b>Total corporate</b>	<b>(315)</b>	<b>125</b>
Retail	(100)	(78)
<b>Total</b>	<b>(415)</b>	<b>47</b>

## Loans and advances and impairment charges

2021 (DKKm)	Credit impaired at initial recognition				Total
	Stage 1	Stage 2	Stage 3		
Loans and advances before impairment charges	64,296	3,306	1,098	171	68,871
Impairment charges	482	757	591		1,830
<b>Loans and advances after impairment charges</b>	<b>63,814</b>	<b>2,549</b>	<b>507</b>	<b>171</b>	<b>67,041</b>
<b>2021 (%)</b>					
Impairment charges as % of bank loans and advances	0.7	22.9	53.8		2.7
Share of bank loans and advances before impairment charges	93.4	4.8	1.6	0.2	100.0
Share of bank loans and advances after impairment charges	95.2	3.8	0.8	0.2	100.0

In 2021 reported losses amounted to DKK 141m (2020: DKK 428m). Of the reported losses DKK 97m 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 2021 allocated to these stages are shown below.

Credit impaired bank loans and advances – stage 3 – represent 1.6% (2020: 3.1%) of total bank loans and advances before impairment charges and 0.8% (2020: 1.6%) of total bank loans and advances after impairment charges.

Credit impaired bank loans and advances acquired from Alm. Brand Bank – credit impaired at initial recognition – amount to 0.2% of total bank loans and advances before impairment charges and 0.2% 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 2021 stand at 53.8% (2020: 49.3%).

### Core earnings

Core earnings for 2021 represent DKK 1,965m – an increase of DKK 838m compared with 2020.

### Investment portfolio earnings

Together the Group's position-taking and liquidity handling generated negative earnings of DKK 21m in 2021 compared to negative earnings of DKK 31m in 2020.

#### Investment portfolio earnings

Group (DKKm)	2021	2020
Position-taking	(13)	25
Liquidity generation and liquidity reserves	(5)	(50)
Strategic positions	4	1
Costs	(7)	(7)
<b>Total</b>	<b>(21)</b>	<b>(31)</b>

The negative result for 2021 is primarily due to the negative risk-free rates.

The interest rate risk at year-end 2021 has been composed with the aim of making position-taking neutral to interest rate changes.

### Non-recurring items, net

Non-recurring items etc total a net expense of DKK 180m compared to a net expense of DKK 75m in 2020.

In 2021 the item included costs of DKK 60m related to the integration of Alm. Brand Bank, DKK 38m related to "A stronger bank" and DKK 10m related to the development of the collaboration with Alm. Brand Forsikring. Moreover DKK 117m has been charged to the income statement as regards residual depreciation of the capital market platform the joint development of which at Bankdata was completed in 2021. In addition DKK 45m has been recognised as income as regards extraordinary realised capital gains from the lending portfolio acquired from Alm. Brand Bank.

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

### Profit for the year

Profit before tax amounts to DKK 1,764m (2020: DKK 1,021m). Tax represents DKK 353m (2020: DKK 222m), equivalent to an effective tax rate of 20.0%. Profit for the year amounts to DKK 1,411m (2020: DKK 799m).

### 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 2021 the value adjustment represented DKK 92m (2020: DKK 9m).

### Return

Return on shareholders' equity before and after tax constitutes 14.1% and 11.2% respectively against 8.6% and 6.6% respectively in 2020. Earnings per share stands at DKK 23.0 compared to DKK 12.8 in 2020.

### Sydbank – the parent

The Bank's total income before costs and impairment charges for loans and advances represents DKK 4,793m (2020: DKK 3,807m). The income includes the consolidated profit on holdings in associates and subsidiaries of DKK 25m (2020: DKK 11m).

Total costs, including non-recurring costs of DKK 225m (2020: DKK 75m), constitute DKK 3,356m (2020: DKK 2,758m).

Impairment charges of DKK 415m (2020: expense of DKK 48m) have been reversed as regards bank loans and advances.

Pre-tax profit amounts to DKK 1,852m (2020: DKK 1,001m).

Post-tax profit amounts to DKK 1,494m (2020: DKK 802m).

### Subsidiaries

Profit after tax of the subsidiaries represents DKK 24m (2020: DKK 16m). Sydbank has sold the subsidiary Alm. Brand Leasing A/S to Opendo A/S effective from 1 March 2021.

### Group – Q4 2021

The Group's profit before tax for the quarter stands at DKK 482m. Tax represents DKK 84m and profit for the period amounts to DKK 398m.

Compared to Q3 2021 profit before tax shows:

- a core income of DKK 1,156m (Q3: DKK 1,087m)
- a trading income of DKK 103m (Q3: DKK 47m)
- costs (core earnings) of DKK 782m (Q3: DKK 748m)
- impairment charges for loans and advances represent an income of DKK 104m (Q3: income of DKK 105m)
- investment portfolio earnings of DKK 5m (Q3: minus DKK 7m).

# Performance in 2021

## Quarterly results

Group (DKKm)	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020
Core income	1,156	1,087	1,088	1,105	959
Trading income	103	47	68	73	74
<b>Total income</b>	<b>1,259</b>	<b>1,134</b>	<b>1,156</b>	<b>1,178</b>	<b>1,033</b>
Costs, core earnings	782	748	814	833	728
<b>Core earnings before impairment</b>	<b>477</b>	<b>386</b>	<b>342</b>	<b>345</b>	<b>305</b>
Impairment of loans and advances etc	(104)	(105)	(125)	(81)	1
<b>Core earnings</b>	<b>581</b>	<b>491</b>	<b>467</b>	<b>426</b>	<b>304</b>
Investment portfolio earnings	5	(7)	2	(21)	2
<b>Profit before non-recurring items</b>	<b>586</b>	<b>484</b>	<b>469</b>	<b>405</b>	<b>306</b>
Non-recurring items, net	(104)	(27)	(17)	(32)	(20)
<b>Profit before tax</b>	<b>482</b>	<b>457</b>	<b>452</b>	<b>373</b>	<b>286</b>
Tax	84	89	98	82	60
<b>Profit for the period</b>	<b>398</b>	<b>368</b>	<b>354</b>	<b>291</b>	<b>226</b>

## Total assets

The Group's total assets made up DKK 168.2bn at year-end 2021 against DKK 165.8bn at year-end 2020.

### Assets

Group – year-end (DKKbn)	2021	2020
Amounts owed by credit institutions etc	22.3	17.2
Loans and advances at fair value (reverse transactions)	16.9	18.0
Loans and advances at amortised cost (bank loans and advances)	67.0	60.2
Securities and holdings etc	31.6	39.5
Assets related to pooled plans	22.2	19.8
Other assets etc	8.2	11.1
<b>Total</b>	<b>168.2</b>	<b>165.8</b>

The Group's bank loans and advances totalled DKK 67.0bn at 31 December 2021. Compared to 2020 this is an increase of DKK 6.8bn.

### Bank loans and advances

Group – year-end (DKKbn)	2021	2020
Corporate clients	52.8	44.7
Retail clients	14.1	15.2
Public authorities	0.1	0.3
<b>Total</b>	<b>67.0</b>	<b>60.2</b>

Bank loans and advances to corporate clients represent DKK 52.8bn – an increase of DKK 8.1bn, equal to 18% compared to 2020. The repayment of funds received under the government's relief packages, which include a deferral of VAT and tax payments, has begun and this has in turn affected corporate lending.

Bank loans and advances to retail clients represent DKK 14.1bn, a decrease of DKK 1.1bn compared to 2020. The trend has been characterised by favourable conditions in the real property market, which has meant 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 3.5bn compared to 2020.

### Credit facilities to corporate clients

Group – year-end (DKKbn)	2021	2020
Drawn facilities		
= loans/advances before impairment charges	54.2	46.3
Undrawn facilities	39.9	38.2
<b>Total</b>	<b>94.1</b>	<b>84.5</b>

As a result of the uncertainty in connection with covid-19, many corporate clients have increased their cash resources, which the Group has accommodated in the form of increased credit commitments. The Group's total credit facilities to corporate clients have risen by DKK 9.6bn compared to 2020.

### Equity and liabilities

Group – year-end (DKKbn)	2021	2020
Amounts owed to credit institutions etc	6.9	7.1
Deposits and other debt	93.9	95.9
Deposits in pooled plans	22.2	19.8
Bonds issued	13.3	9.6
Other liabilities etc	16.4	18.5
Provisions	0.4	0.5
Subordinated capital	1.9	1.9
Equity	13.2	12.5
<b>Total</b>	<b>168.2</b>	<b>165.8</b>

The Group's deposits make up DKK 93.9bn. This is a decline of DKK 2.0bn compared to 2020 consisting of a decrease in ordinary deposits of DKK 1.6bn, a drop in deposits at notice of DKK 0.1bn, a rise in time deposits of DKK 0.2bn and a decline of DKK 0.5bn regarding special categories of deposits.

### 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.

#### Total credit intermediation

Group – year-end (DKKbn)	2021	2020
Bank loans and advances	67.0	60.2
Funded mortgage-like loans	5.6	7.0
Arranged mortgage loans – Totalkredit	89.2	85.7
Arranged mortgage loans – DLR	13.5	12.7
<b>Total</b>	<b>175.3</b>	<b>165.6</b>

The Group's total credit intermediation represents DKK 175.3bn – an increase of DKK 9.7bn, equal to 6% compared to year-end 2020. The change is attributable to a rise in bank loans and advances of DKK 6.8bn, a decline in funded mortgage-like loans of DKK 1.4bn and an increase in arranged mortgage loans of a total of DKK 4.3bn. As a result of the favourable conditions in the real property market, an increasing share of customers' total housing debt is financed by way of mortgage loans.

#### The Sydbank share

Number	2021	2020
Average number of shares outstanding	59,186,746	59,034,373
Number of shares outstanding at year-end	58,384,311	59,286,316
Number of shares issued at year-end	59,676,320	59,676,320

### Share capital

Share capital constitutes DKK 596,763,200 at year-end 2021 – unchanged compared with year-end 2020.

The number of shares outstanding has fallen from 59,286,316 (99.35%) at the end of 2020 to 58,384,311 (97.83%) at the end of 2021. The book value of the Sydbank share is 212.6 (2020: 197.6). At year-end 2021 the closing price of the Sydbank share stood at 206.8 and the share price/book value at 0.97.

### Equity

At year-end 2021 shareholders' equity constituted DKK 12,413m – an increase of DKK 701m since the beginning of the year. The change comprises additions from comprehensive income for the year of DKK 1,483m, net purchases of own shares of DKK 198m, dividend paid of DKK 588m as well as other equity adjustments of DKK 4m.

### Capital

On 10 September 2021 the Bank announced that it would resume the share buyback programme of DKK 250m which had been 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.

The share buyback programme was resumed on 4 October 2021 and it ended on 20 December 2021. Under the programme 1,289,000 shares were purchased at a transaction value of DKK 250m, of which 279,000 shares at a transaction value of DKK 31m were purchased in 2020.

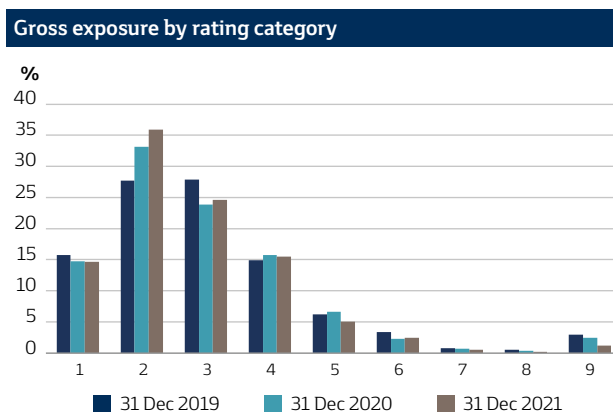
### Risk exposure amount

Since year-end 2020 the risk exposure amount (REA) has increased by DKK 3.4bn to DKK 57.4bn. Credit risk has gone up by DKK 5.5bn. The increase is predominantly attributable to the new rules regarding the definition of default which entered into force on 1 January 2021. Moreover bank loans and advances have increased by DKK 6.8bn and guarantees by DKK 0.2bn since 31 December 2020. Market risk has declined by DKK 1.2bn. Other exposures have gone down by DKK 0.9bn.

Group – year-end (DKKbn)	2021	2020
Credit risk	38.8	33.3
Market risk	5.5	6.7
Operational risk	7.2	6.7
Other exposures incl CVA	5.9	7.3
<b>Total</b>	<b>57.4</b>	<b>54.0</b>

# Performance in 2021

The development in the breakdown by rating category from 2019 to 2021 is shown below.



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 123 and the separate publication Credit Risk 2021.

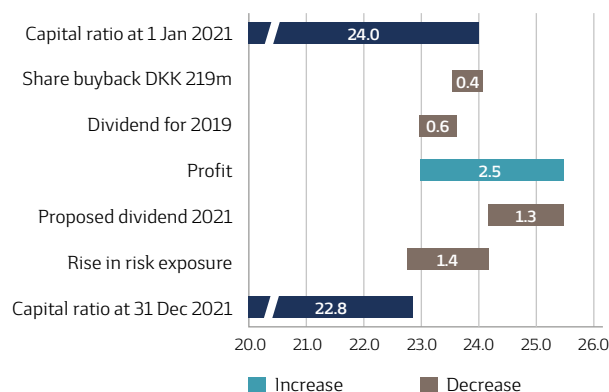
## Solvency

Group – year-end (DKK m)	2021	2020
REA	57,415	54,040
CET1 capital	10,277	10,185
T1 capital	11,077	11,041
Total capital	13,082	12,952
CET1 ratio	17.9	18.8
T1 capital ratio	19.3	20.4
Capital ratio	22.8	24.0

At year-end 2021 the CET1 ratio and the capital ratio stood at 17.9% and 22.8% respectively compared to 18.8% and 24.0% respectively at year-end 2020.

In 2021 the capital ratio was affected by profit for the year (+2.5pp), a rise in risk exposure (-1.4pp), the completed share buyback (-0.4pp), dividend paid concerning 2019 (-0.6pp) and the proposed dividend for 2021 (-1.3pp).

## Capital ratio in 2021



At 31 December 2021 the individual solvency need represented 10.6% (2020: 10.8%).

## Solvency of the parent

At year-end 2021 the CET1 ratio and the capital ratio stood at 17.3% and 22.0% respectively (2020: 17.9% and 22.7%).

## Advanced IRB – corporate exposures

Today Sydbank uses 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. The Bank has developed new models and an application was submitted to the Danish FSA on 30 June 2021 to gain approval to use the advanced IRB approach as regards corporate exposures. Its approval is expected in 2022.

## 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%, a T1 capital ratio of around 16.0% 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 24.

## 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 as dividend 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 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 plus the combined capital buffer requirement, excluding the countercyclical buffer.

The MREL at 31 December 2021 is as follows:

### MREL and MREL excess cover

Group	Requirement (%)	DKKm
REA		57,415
<b>Total requirement</b>	<b>24.4</b>	<b>14,009</b>
Total capital		13,082
SNP loans with maturities exceeding 1 year		9,595
Cover of combined buffer requirement		(2,010)
<b>Total MREL</b>	<b>36.0</b>	<b>20,667</b>
MREL excess cover	11.6	6,658

At 31 December 2021 the Sydbank Group met the MREL with an excess cover of DKK 6,658m. The excess cover corresponds to an increase in the solvency need of 5.8pp or a rise in the risk exposure amount of DKK 27,300m.

In November 2021 the Group made a SNP issue of EUR 500m which forms part of the Group's MREL.

In connection with the ongoing refinancing of the Group's MREL capital the Bank will look into the possibilities of a potential new issue in the course of 1H 2022.

## Interest rate risk etc

The Group's interest rate risk represented DKK 173m at 31 December 2021 (2020: DKK 171m). 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 200% at 31 December 2021 (2020: 210%).

## LCR

Group – year-end (DKKbn)	2021	2020
Total liquidity buffer	50.4	51.3
Net cash outflows	25.2	24.4
LCR (%)	200	210

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 2021.

## NSFR

The guidelines for calculating the Net Stable Funding Ratio (NSFR) require that the available stable funding exceeds the required stable funding. The required stable funding is calculated on the basis of the balance sheet values and degree of stability of assets where the strictest requirements in terms of degree of stability are imposed on long-term illiquid assets. The available stable funding is calculated on the basis of the balance sheet values and degree of stability of the funding where the highest degrees of stability apply to equity and long-term funding.

The Group's NSFR constituted 132% at 31 December 2021 (2020: 131%).

## NSFR

Group – year-end (DKKbn)	2021	2020
Required stable funding	83.4	84.1
Available stable funding	110.4	110.0
NSFR (%)	132	131

The Group has met the NSFR requirement of 100% throughout the year and its excess cover is significant at 31 December 2021.

## Funding ratio

Group – year-end (DKKbn)	2021	2020
Equity and subordinated capital	15.1	14.4
SNP loans with maturities > 1 year	9.6	9.6
Stable deposits	85.5	87.6
Total stable funding	110.2	111.6
Bank loans and advances	67.0	60.2
Funding ratio (%)	164	185

The Group's stable funding exceeded the Group's loans and advances by DKK 43.2bn at 31 December 2021 (31 December 2020: DKK 51.4bn).

# Performance in 2021

## 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 2021 the Sydbank share yielded a return of 61% (2020: minus 4%) as a result of the increase in the share price during the year as well as dividend distributed for 2019 and 2020.

The Board of Directors will propose to the AGM that 50% of the Group's profit after tax, equal to a dividend of DKK 12.00 per share, be distributed and that DKK 12m 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 will result in reactions by the Danish FSA.

At 31 December 2021 the Group as well as the parent comply with all the benchmarks of the Supervisory Diamond.

### Supervisory Diamond benchmarks

Group	2021	2020
Sum of 20 largest exposures < 175%	140	149
Lending growth < 20% annually	11	(1)
Commercial property exposure < 25%	8	7
Excess liquidity coverage > 100%	221	232

## Leverage ratio

The CRR2 Regulation which entered into force on 28 June 2021 stipulates a minimum leverage ratio requirement of 3%, which is defined as T1 capital as a percentage of total exposure.

The Group's leverage ratio constituted 6.2% at 31 December 2021 (2020: 6.1%) taking into account the transitional rules.

## SIFI

Sydbank has been designated as a SIFI in Denmark and there is 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 2021 the Danish FSA set the MREL for Sydbank at 24.4% of the risk exposure amount for the year ahead.

The general resolution principle for SIFIs is that it should be possible to restructure them and send them back to the market with adequate capitalisation to ensure market confidence. 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 plus the combined capital buffer requirement, excluding the countercyclical buffer.

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 represents DKK 29m.

### Basel IV

Since the Basel Committee on Banking Supervision published its recommendations regarding changes to the calculation of capital requirements – Basel IV – in 2017, the EU has worked on implementing these changes into CRR (regulation) or CRD (directive). Some of the proposed changes have already been implemented and at the end of 2021 the EU proposed implementing the remaining elements. It is expected that this implementation will take place on 1 January 2025 at the earliest and that it will take place over an extended period of time and with significant transitional rules. The Group expects that the proposed changes will have a limited impact on the Group's capital requirements.

### New definition of default

As of 1 January 2021 the definition of default was changed, which involves a broadening of the concept – and consequently more defaults.

As a result of the Group's use of the foundation IRB approach to calculate the capital requirement as regards corporate clients, the risk exposure amount went up by DKK 5bn. The foundation IRB approach applies a standard LGD rate which was not reduced at the same time. The Group expects that it will achieve a reduction in the risk exposure amount as a consequence of a lower LGD at a later date – either as a result of approval to use the advanced IRB approach or as a result of a reduction in the standard rate of the foundation IRB approach.

### 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 2.3bn at 31 December 2021, equivalent to 3.5% of total loans and advances of DKK 67.0bn.

### 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) total DKK 0.7bn. After deduction of collateral received of DKK 0.2bn, unsecured loans and advances represent DKK 0.5bn.

### 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 2021, equivalent to 1.5% of total loans and advances of DKK 67.0bn.

### Outlook for 2022

Growth is projected in the Danish economy in 2022.

Core income is expected to be higher than in 2021.

Costs (core earnings) are projected to be lower than in 2021.

Impairment charges for 2022 are forecast to be at a low level.

Non-recurring costs are expected to be in the range of DKK 50-60m. This is an investment in the future and concerns the automation of housing loan processes and an investment in the bank/insurance partnership.

Profit after tax is expected to be in the range of DKK 1,150-1,450m.

The outlook for 2022 is subject to uncertainty and depends on financial market developments and macroeconomic factors.

# 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 uses internal ratings based approaches to manage the credit risk of the Group's corporate and retail client portfolios. The Group uses the advanced IRB approach as regards retail clients and the foundation IRB approach as regards corporate clients to determine the Group's capital requirements. In 2021 the Group applied for approval to use the advanced IRB approach as regards corporate clients. Its approval is expected in 2022.

The Group uses the Standardised Approach to calculate credit risk in relation to exposures to governments, credit institutions and a few specific portfolios, including exposures acquired from Alm. Brand Bank, which primarily comprise 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.

Capital requirements including buffers are calculated as the solvency need plus the combined buffer requirement which constituted 3.5% at 31 December 2021.

## Capital and solvency and capital requirements

% of REA	31 Dec 2021
<b>Capital and solvency</b>	
CET1 ratio	17.9
T1 capital ratio	19.3
Capital ratio	22.8
<b>Capital requirements (incl buffers)*</b>	
Total capital requirement	14.1
CET1 capital requirement	9.5
- of which SIFI buffer	1.0
- of which capital conservation buffer	2.5
- of which countercyclical buffer	0.0
<b>Excess capital</b>	
CET1 capital	8.4
Total capital	8.7

\* The total capital requirement consists of an individual solvency need and a combined buffer requirement. The countercyclical 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% but it will rise by 1pp at 30 September 2022 and another 1pp at 31 December 2022.

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 122.

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 2021 add-ons were allocated in relation to credit risk, market risk, operational risk and other exposures.

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	3,934	6.9
Market risk	850	1.5
Operational risk	826	1.4
Other exposures	481	0.8
<b>Adequate total capital/solvency need</b>	<b>6,091</b>	<b>10.6</b>

Other exposures include property, plant and equipment and the Group's equity investments.

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 2021:

Capital structure	DKKm	% of REA
Adequate total capital/solvency need	6,091	10.6
Combined buffer requirement	2,010	3.5
Capital requirements incl combined buffer requirement	8,101	14.1
Excess capital	4,981	8.7
<b>Total capital</b>	<b>13,082</b>	<b>22.8</b>

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 2021 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 1H 2022 but will be hit by a new recession in mid-2022, eg new coronavirus mutations in 2022 or a diminishing effect of the vaccines. The scenario resembles a slowdown in 2022 and subsequently a very deep recession. A relatively large drop in household deposits is projected, predominantly as a consequence of a rise in unemployment and a decline in property prices. For 2022 as a whole GDP growth is significant compared to 2021 but GDP will drop by a total of 6.5% in 2023 and 2024.

**Global debt crisis** which reflects that Danish economic growth will be negative and that unemployment will be higher than under the base case scenario. Interest rates in Denmark will drop relative to the base case scenario on account of Denmark's status as a safe haven.

**New mutations and ineffective vaccines** which reflect that one or more mutations of covid-19 will turn out to be resistant to vaccines. Under this scenario lockdowns and/or tight restrictions will be introduced for part of 2022 until the vaccines have been adapted to the new mutations. This will put a damper on the Danish and international economy in 2022 but it will result in higher economic growth in 2023 and 2024 than under the base case scenario. Instability in financial markets will resurface and the supply crisis will drag on.

**Hyperinflation** which reflects that the global economy will be hit by very high inflation. The scenario presumes an inflation rate of 10% in 2022 and 5% in 2023. Inflation is the result of the repercussions of an extraordinarily loose fiscal and monetary policy during the coronavirus crisis. This will trigger a self-reinforcing wage-price spiral. Central banks will respond with severe monetary tightening which will create financial turmoil. The scenario will result in the most severe blow to the economy with negative economic growth in 2022 and 2023. Property prices will drop sharply and lending will stop instantly.

**Global energy crisis** which reflects that global energy prices will continue to go up. This will be the case for all forms of energy: electricity, gas and oil. Inflation will increase and curb consumers' spending power and corporate costs will rise significantly. Danish economic growth will be negative and the housing market will be affected as consumers will have less money to spend due to a rise in expenses for water, electricity and heating. The energy crisis will be triggered by the pressure for a green transition and the phasing-out of nuclear plants combined with geopolitical tension.

# Capital Management

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 2021 the Group fully complied with external as well as internal capital requirements.

On the basis of the risk reporting at 31 December 2021, 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 2021, 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 arranging roadshows in connection with the release of its financial statements.

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.

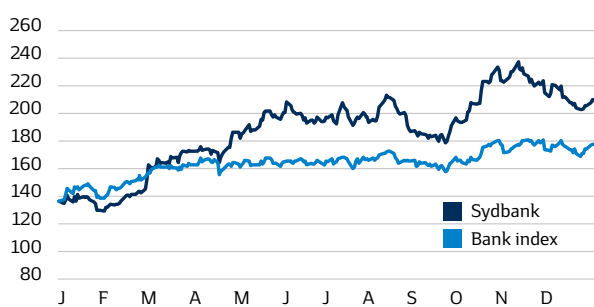
The most significant part of the contact with analysts, shareholders and potential investors in 2021 was in the form of telephone and video conferences due to the coronavirus epidemic.

## The Sydbank share

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

The Sydbank share rose from 134.5 at year-end 2020 to 206.8 at year-end 2021, equal to an increase of 53.8%. Adding dividend distributed in 2021 of DKK 9.70 per share, return to shareholders represented 61.0%. By comparison the bank index rose by 30.9%.

### Share price developments 2021



1 January 2021 = index 134.5, ie Sydbank's share price

The Sydbank share	2021	2020
Share capital (DKK m)	597	597
Total market capitalisation at year-end (DKK m)	12,074	7,974
Share price at year-end	206.8	134.5
EPS (DKK)	23.0	12.8
Dividend per share (DKK)	12.00	4.00
Book value per share (DKK)	212.6	197.6
Share price/book value per share	0.97	0.68

At the end of 2021 8 analysts covered the Sydbank share.

The average daily turnover of the Sydbank share was DKK 28m in 2021 compared with DKK 17m in 2020. The share was the 31st most traded share on Nasdaq Copenhagen.

## 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 as dividend while taking into account growth plans and capital policy.

In 2021 Sydbank distributed a dividend of 30%, cf the Bank's dividend policy, equal to DKK 4.00 per share

In 2020 the Bank had planned to pay a dividend of 40%, cf the Bank's dividend policy, equal to DKK 5.70 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. At an extraordinary general meeting in October 2021 the Board of Directors recommended that this dividend be paid out. The resolution was passed and the dividend was subsequently paid out.

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 Board of Directors, for reasons of prudence, did not wish to continue the programme as the economic effects of covid-19 were uncertain.

The share buyback programme was resumed on 4 October 2021 and it ended on 17 December 2021. Under the programme 1,289,000 own shares were repurchased at a transaction value of DKK 250m.

The Group's targets are a CET1 ratio of around 14.5%, a T1 capital ratio of around 16.0% and a capital ratio of around 18.5%.

The Board of Directors will propose to the AGM that 50% of the Group's profit after tax, equal to a dividend of DKK 12.00 per share, be distributed and that DKK 12m be donated to the sponsorship fund Sydbank Fonden.

Based on a strong capital base it will be possible to initiate a new share buyback programme of DKK 425m with expected implementation from the beginning of March to year-end 2022, thereby lifting the total amount to be distributed to Sydbank's shareholders to DKK 1,131m, equal to 80% of profit for the year after tax.



## Mission Statement and Business Goals

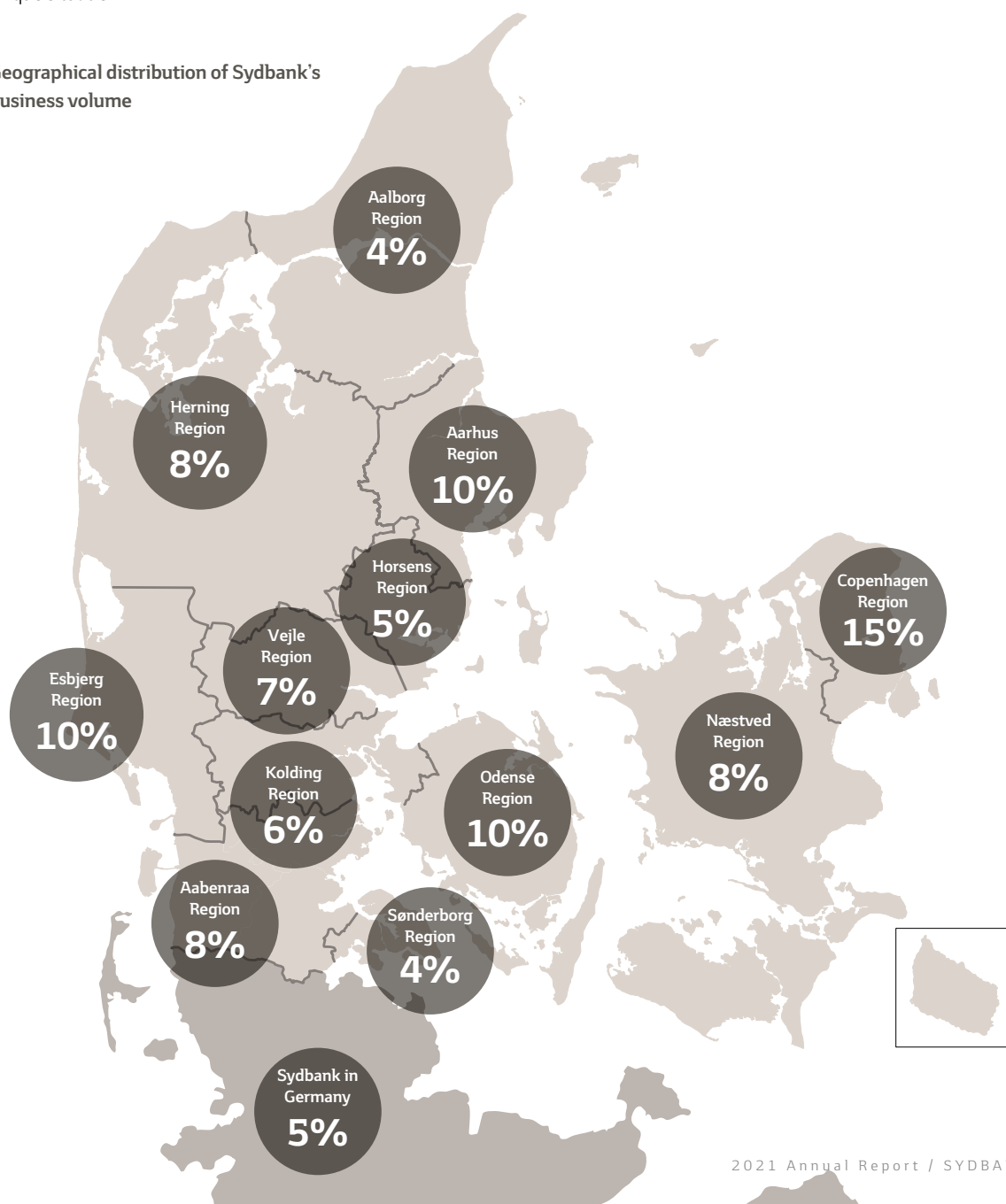
Sydbank has a solid financial foundation that offers room for more business with new customers as well as existing customers. Our growth will be built on a firm and sound footing. Sydbank wishes to remain a bank operating on its own terms and we aim to be the preferred business partner. We focus on our 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.

Geographical distribution of Sydbank's business volume



# 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 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 are **committed** and **tell it as it is**
- To us a relationship means **giving** and **advising**
- We believe in a **long** and **honest** relationship with our customers
- Teamwork **is a recipe for success**

## Excellence and relationships create value

- We take **responsibility** for being **excellent**
- We make a **virtue** of knowing customers' stories and needs
- Our **initiatives** create happy and satisfied customers
- We are **proud** of our **profession** and our **contribution**
- We interact with **care** and **respect**
- We believe that **human decency** makes for better **business**
  - We are **resourceful** and capable of making **decisions**
  - Our efforts are **focused** on creating better **results** for customers and for the Bank

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

## 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.

### 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 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.

### 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.

### 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.

### 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.

### 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.

### We must constantly be innovative

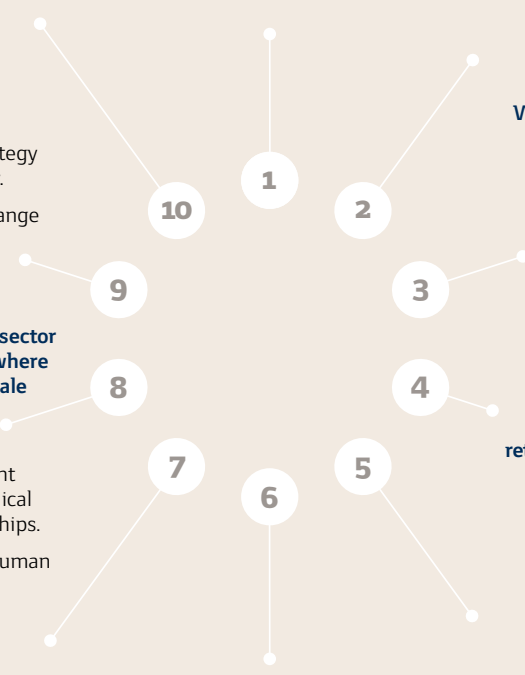
That's why we invest in documented value adding technology – as a fast follower.

But not as a pioneer in the area.

### 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.



# Mission Statement and Business Goals

## 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.

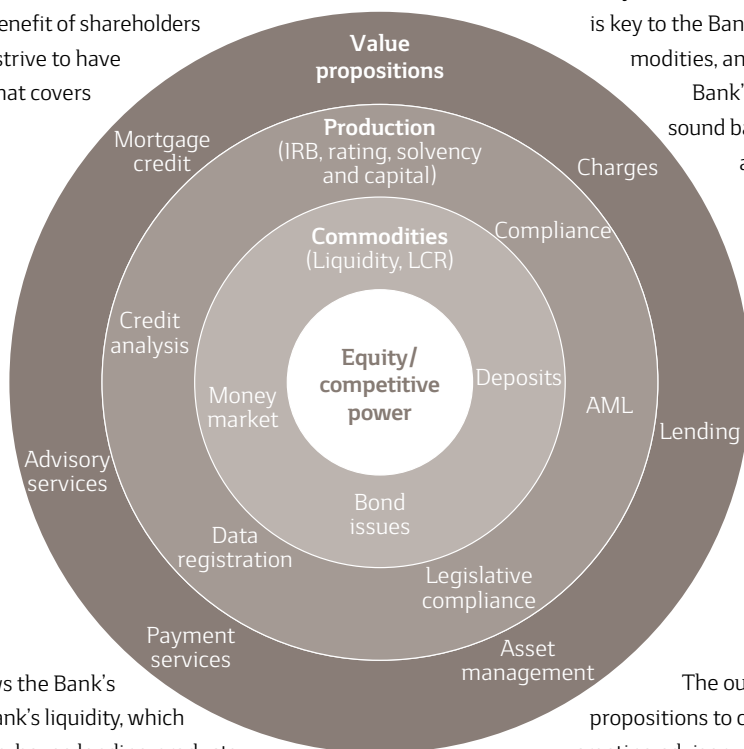
In addition to deposit and loan products produced in-house, Sydbank's business model comprises activities within payment services, securities trading and asset management as well as arranging mortgage credit products, investment management products and insurance products via business partners and is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

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

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.

 <b>Strategy direction</b>	<h1>A stronger bank</h1>					
 <b>Market assumptions</b>	<b>Macroeconomic outlook</b> Low demand for loans    Intensified competition    Upward pressure on costs			<b>Ramifications of the financial crisis</b> Tighter legislation and regulations    Higher qualification requirements		
 <b>Themes</b>	<b>Customer first</b> A sharper customer focus		<b>More Sydbank</b> A stronger profile		<b>Digitization</b> A more powerful engine room	
 <b>Initiatives</b>	<ul style="list-style-type: none"> <li>Customer culture</li> <li>Customer relations</li> <li>Accessibility</li> <li>Relevance</li> <li>Speed and quality</li> </ul>		<ul style="list-style-type: none"> <li>Profile</li> <li>External awareness</li> <li>Decency</li> <li>Values</li> </ul>		<ul style="list-style-type: none"> <li>Simplification</li> <li>Digitization</li> <li>Optimisation</li> <li>Driving forces</li> <li>Fintech</li> </ul>	
 <b>Strategic goals</b>	<b>Customer satisfaction</b> Sydbank builds on long-term customer relationships.		<b>Employee engagement</b> Sydbank considers excellent and committed employees to be its most important asset.		<b>ROE</b> 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 2021 as regards the corporate client segment albeit not the retail client segment.

### 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. Sydbank was best in class among financial institutions in Denmark in 2020. No survey was conducted in 2021.

### 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 2021.

In connection with the Bank's Interim Report for Q3 2021, which was released in October, we introduced the Bank's strategy for the period 2022-2024. The strategy is called "Growing our business". It centres on 3 themes: we will heighten awareness, we will increase earnings and we will continue to enhance the Bank's efficiency.

# Mission Statement and Business Goals

## 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 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 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 provides access to influence.** In the run-up to the local elections in 2021, Sydbank together with the Danish Chamber of Commerce and one of Denmark’s largest media groups organised 18 business debates across the country where local politicians and local business people discussed the conditions and challenges of operating a business locally. More than 2,000 business leaders took part.

**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 would switch to Sydbank.** According to Aalund’s survey Sydbank is unarguably the bank most corporate clients would change to. As many as 18% stated that they would shift to Sydbank if they were about to change 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.

**Sydbank**  
Denmark’s Corporate Bank

## 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 from 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 wide range 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 corporate centres
- Corporate Medium by the 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 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 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	2021	2020
Pooled pension plans	22	20
PM mandates	20	20
Management agreements	5	5
Investment funds and hedge funds	79	64
<b>Total</b>	<b>126</b>	<b>109</b>

During 2021 funds under management rose from approx DKK 109bn at the beginning of the year to approx DKK 126bn at the end of the year. This increase reflects overall net sales of investment products to the Bank's customers, a rise in share prices but a drop in bond prices in 2021 as a whole. Where the share price increases were driven by a decline in coronavirus fears, continued very loose monetary policy and high growth in USA and Europe, the falling bond prices and as a consequence the rising interest rates reflect growing confidence among investors that the period of an ultra-loose relaxed monetary policy is drawing to a close.

### Custody account volume

DKKbn	2021	2020
Retail and corporate clients	166	146
Pooled pension plans	22	19
Financial institutions	8	4
Investment funds and hedge funds	79	63
<b>Total</b>	<b>275</b>	<b>232</b>

# Mission Statement and Business Goals

## Custody account volume – retail and corporate clients

DKKbn	2021	2020
Danish bonds	11	14
Foreign bonds	0	3
Danish shares	63	57
Foreign shares	15	17
Investment funds and hedge funds	77	59
<b>Total</b>	<b>166</b>	<b>150</b>

The total custody account volume rose by approx DKK 43bn in 2021 to a total of approx DKK 275bn at year-end. This is also primarily attributable to a combination of rising share prices, net sales of investment products and declining bond portfolios.

## 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, Jyske Realkredit 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 2021 the Bank continued the training course from 2020 on understanding business and sound business and now all account managers in the retail organisation

have completed the course. 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.

Covid-19 also made its mark on everyday life at Sydbank in 2021. With a high level of hygiene, distancing and flexibility as regards working from home, the Bank's employees steered well through 2021 and with few infected.

## IT development

IT is an essential part of the Bank's business model. Sydbank adapts its products and services on a continuing basis to an increasingly digitized everyday life. The Bank's business is thus constantly adapting to customers' growing demand for self-service and advisory services as a supplement to 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 organised according to product and each team focuses on how customers experience the services. In terms of method we work in an agile way using many of the known tools associated with agile development.

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. Many customers are in contact with Sydbank on a daily basis via mobile bank or netbank which are designed to give customers a good 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.

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.



### **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 partner is 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 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 considers 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](http://sydbank.com).

Sydbank's Board of Directors also considers 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](http://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](http://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 considers 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](http://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 both the votes cast and 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 by up to DKK 59,676,320 in one or more issues as determined by the Board of Directors. The authorisation applies until 1 March 2026. 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 Board of Directors carries out an annual self-evaluation where the work and results of the Board of Directors 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 conclusions of the Nomination Committee's discussions are presented for discussion by the full Board of Directors.

The Board of Directors' self-evaluation for 2021 was carried out with external assistance. The process of carrying out the self-evaluation involved 6 steps, see the figure below.

On the basis of Sydbank's business model the key findings are as follows:

- The Board works well together
- The working relationship is good and the level of motivation and commitment is high
- The competences of the Board of Directors are considered to be well prepared for the year ahead and there are no plans to change the Board of Directors at this year's AGM.

Other directorships held by the Board of Directors can be seen on pp 140-145.

### 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.

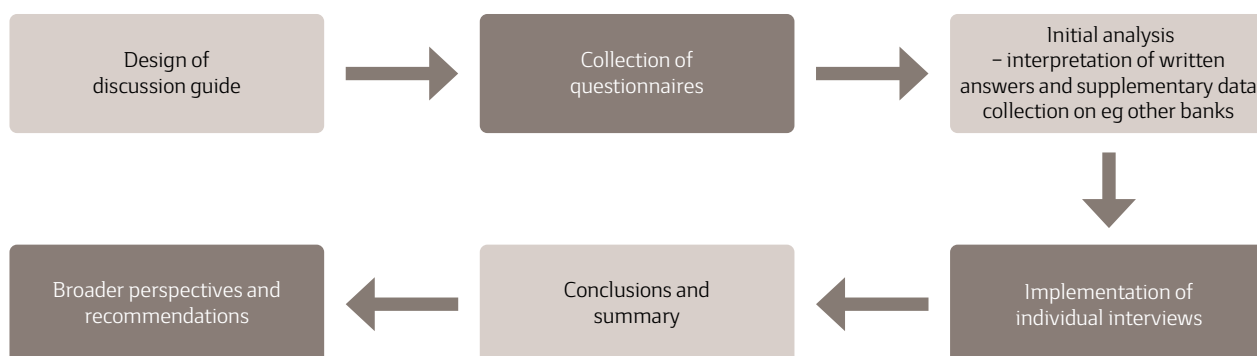
The terms of reference of the committees are available at [sydbank.dk/omsydbank/organisation](http://sydbank.dk/omsydbank/organisation) (in Danish only), which also contains an introduction to the members and their qualifications.

### 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 collateral issues including issues which the Board of Directors, Internal Audit, the Audit Committee or the independent auditors wish to discuss.

### Board of Directors – self-evaluation



# Organisation and Corporate Governance

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 6 times in 2021.

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 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.

## Risk Committee

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

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.

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 2021.

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

## 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 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 3 times in 2021.

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

## 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 7 times in 2021.

## Attendance – Sydbank’s Board of Directors

2021	Board of Directors	Audit Committee meetings	Risk Committee meetings	Remuneration Committee meetings	Nomination Committee meetings	Digitization Committee meetings
Lars Mikkelsen-Jensen (Chairman)	23/23		5/5			4/4
Jacob Chr. Nielsen (Vice-Chairman)	23/23	6/6			7/7	
Janne Moltke-Leth	23/23		5/5		7/7	
Susanne Schou	23/23				7/7	4/4
Gitte Poulsen	22/23	6/6		3/3		
Jon Stefansson	23/23		5/5	3/3		
Søren Holm	23/23	6/6				3/3
Henrik Hoffmann	22/23		5/5			
Carsten Andersen	23/23	6/6				
Kim Holmer	23/23					1/1
Jarl Oxlund	23/23					4/4
Jørn Krogh Sørensen	23/23			3/3		

(attendance/number of meetings)

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

### 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 4 times in 2021.

Committee members: Susanne Schou (Chairman), deputy group executive; Lars Mikkelsen-Jensen, former CEO and managing director; Søren Holm, former group executive; and Jarl Oxlund, chairman of Sydbank Kreds.

### Policy and target figures 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 shareholder-elected board members. At year-end 2021 Sydbank’s Board of Directors consisted of 8 shareholder-

er-elected board members. Of these, 3 are female and 5 are male. The defined target figure has therefore been met.

Sydbank has a policy to increase the percentage of the underrepresented gender in its other management levels. It is Sydbank’s overall goal to have an equal gender balance among managers in the Bank’s business units. 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. In 2021 42% of the participants were women.

### Group Executive Management

Sydbank’s Group Executive Management comprises 3 members after the resignation of Henning Dam, Deputy Group Chief Executive, on 8 December 2021. The Group Executive Management is appointed by the Board of Directors and consists of Karen Frøsig, CEO; Bjarne Larsen, Deputy Group Chief Executive; and Jørn Adam Møller, 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.

# Organisation and Corporate Governance

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](https://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 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 and 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](https://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 assess on a regular basis the models and principles used to manage risk. The committees ensure that risk management within the Group is in accordance with the policies and guidelines adopted by the Board of Directors.

Further information is available in "Notes – Risk Management" on page 122.

### 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.

### Data ethics policy

Sydbank's data ethics policy must ensure that we comply with legislation in force, monitor developments and are perceived as a respected, competent and decent business partner. For Sydbank it is essential that our customers and the surrounding world have confidence in our processing and storage of their data.

Sydbank's data ethics policy concerns the Bank's work related to data ethics, including ethical deliberations in connection with the use of new technologies and increased volumes of data.

We are responsible for ensuring that data processing is carried out in an ethical, responsible and transparent manner. As a result we strive to improve our data processing on an ongoing basis and we also collaborate with relevant authorities in this area.

# Organisation and Corporate Governance

Sydbank will at all times refrain from using data in a manner which creates an unfair balance in terms of the categorisation of customers. Our policy rests on the premise that data provided by customers belongs to customers and is processed within the scope of the law.

The day-to-day activities concerning data ethics are carried out in the Bank's business units and the activities concerning data ethics are operationalised through internal policies and business procedures. In particular as regards the processing of employees' personal data, Sydbank has an internal booklet on employee personal data.

Sydbank's Board of Directors is responsible for preparing and updating the data ethics policy once a year.

## 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 ensure focused and efficient 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. 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 Transaction Banking, 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 AML Risk Management. 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.

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. For instance in 2021 Sydbank participated actively through Finance Denmark in the introductory dialogue with the authorities on the establishment of a national transaction monitoring and analysis system which could potentially strengthen the fight against money laundering, terrorist financing and other financial crime. Finally Sydbank has set up a dedicated webpage to provide information on its efforts to combat money laundering and terrorist financing thereby giving the Bank's customers and other stakeholders the opportunity to gain an insight into the Bank's initiatives.

## 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 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 responsibility for making a positive contribution to developments so that together we can ensure a sustainable future for the next generations.

Sydbank's CSR report for 2021 concerns Sydbank's sustainability efforts and corporate social responsibility 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. In addition the CSR report contains reporting under Article 8 of the Taxonomy Regulation as well as on the progress of the integration of the UN Principles for Responsible Banking. The report 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.

Close relationships and dialogue with our most important stakeholders enable us to obtain a deeper insight into how we can make strides in sustainability and accelerate our contribution to a sustainable transition. By involving our stakeholders we gain access to valuable knowledge that can help us evolve in a more sustainable direction.

## A decent bank

Trust in the financial sector is essential for financial stability and growth in society. Being one of Denmark's largest banks we have a responsibility to contribute to securing trust in the financial sector. Common regulation of the banking sector is necessary to ensure security, transparency and stability. Sydbank finds it important that regulation is developed in dialogue with authorities, policymakers and the banking sector. This helps to ensure that regulations and legislation can be implemented and handled in practice.

Through decency and due care we will ensure that Sydbank is a well-run and solid bank which actively shares the responsibility for financial stability in Danish society. We support the authorities' fight against criminals who seek to misuse the financial infrastructure.

Sydbank's focus includes combating money laundering and terrorist financing, decency in the tax area as well as data processing and information security.

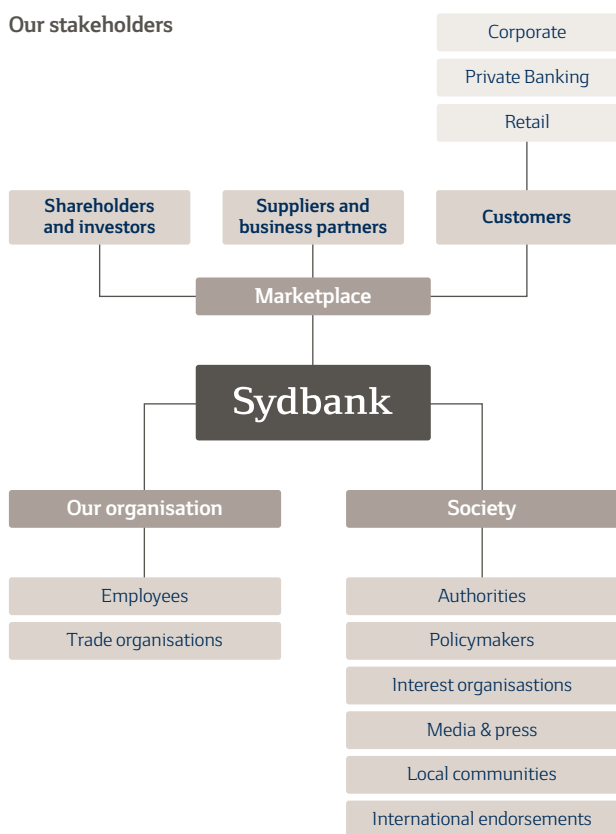
## Stronger governance and knowledge about sustainability

The Bank's policy for sustainability and social responsibility was updated in 2021 and going forward the policy will include goals for its sustainability and social responsibility efforts. The Board of Directors is now responsible for approving the objectives and their compliance as well as for ensuring that the Bank's international endorsements are complied with.

We made it a priority in 2021 to devote time and resources to giving the Bank's employees basic training in sustainability. In addition specific employee groups were given a deeper insight into and knowledge of sustainable issues of particular relevance to their jobs and several board members completed a training course in sustainability.

Information, coordination and sparring across the Bank's business areas is important. Sydbank's sustainability and CSR forum evaluates and decides upon concrete initiatives. The members of the forum include Sydbank's CEO and relevant group executive vice presidents. In 2021 we also set up a working group for sustainability and social responsibility including relevant employees from various business areas.

## Our stakeholders



### International endorsements

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

Sydbank joined the UN Global Compact in 2020 – 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 and sustainability efforts and at the same time send a clear message to the surrounding world that we take sustainability and social responsibility seriously. Our participation requires us to report on how we comply with the principles.

Sydbank signed the UN Principles for Responsible Banking at the end of 2020. The incorporation of the principles will define the Bank's efforts to embed sustainability into the Bank's core business to a still greater extent. In 2021 we reported on our progress on integrating the UN Principles for Responsible Banking for the first time. We built a foundation in 2021 to support the proper integration of and future work with the principles.

In addition to the above endorsements Sydbank continues to comply with and support the UN Principles for Responsible Investment, the Paris Agreement, the OECD Guidelines for Multi-national Enterprises and ILO conventions on dignity of workers.

### UN Sustainable Development Goals

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.

#### 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. 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.



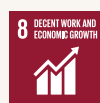
#### SDG 5 – Gender equality

**Sydbank contributes** to gender equality by continuously measuring gender diversity and by making sure that target figures for the underrepresented gender are set. For instance in 2020 the Board of Directors adopted a new target figure for the underrepresented gender on Sydbank's Board of Directors and the target figure is now 30%.



#### SDG 7 – Affordable and clean energy

**Sydbank contributes** to the scaling up of sustainable energy by using sustainable energy. For instance in 2021 we installed a solar cell system in Esbjerg and set up additional charging points for electric cars and plug-in hybrid cars at Sydbank's premises.



#### 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** eg through providing finance to SMEs. Sydbank supports financing opportunities by means of guarantee schemes such as the government investment fund Vækstfonden and the European Investment Fund's European Guarantee Fund scheme. Thanks to the campaign Denmark's Corporate Bank and the events in connection with the local elections in 2021 we are creating the framework for dialogue with and development of local business communities.



#### SDG 11 – Sustainable cities and communities

**Sydbank contributes** via our locally embedded sponsorships, our investment and our finance to promote more sustainable cities and local communities.



#### 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 on financing of 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 Social Responsibility

## Responsible finance

Through decency and systematic procedures we will ensure that Sydbank is an efficient, well-run and solid bank with a responsible approach to financing and lending to the Bank's customers.

Sydbank's credit policy emphasises that Sydbank should have a cautious approach to customers whose assets, business models or future earnings are particularly exposed to ESG risks. In 2021 we created the foundation for integrating ESG risks into lending and described how to address them. One of the initiatives includes providing training to our corporate account managers.

Sydbank complies with the recommendation of the Forum for Sustainable Finance to calculate the CO<sub>2</sub> footprint related to the Bank's lending portfolio. We have reported for the first time in 2021 on the carbon footprint of corporate lending, home loans and car loans to retail clients. Finance Denmark's CO<sub>2</sub> model for the financial sector is used to calculate the carbon footprint.

### Total CO<sub>2</sub> emissions – Sydbank's own lending

	2021
Lending in DKKm where CO <sub>2</sub> is estimated*	67,552
Total CO <sub>2</sub> emissions in tonnes	812,664
Tonnes CO <sub>2</sub> per DKK 1m	12.03

\* Based on Finance Denmark's CO<sub>2</sub> model which deviates from Sydbank's total lending.

Compared with loans to retail clients, corporate loans are associated with substantially higher emissions per unit loaned. Corporate loans account for most of Sydbank's loans; mortgage mediation is not included in the CO<sub>2</sub> footprint of the corporate segment. The total carbon footprint of Sydbank's own loans totals 12.03 tonnes per DKK 1m.

In the longer term we will set meaningful reduction targets for the CO<sub>2</sub> footprint of the lending portfolio. But this will require significantly improved data quality. We will work on actual CO<sub>2</sub> reduction targets as soon as the quality of data allows us to do so.

## Responsible investment

Sydbank will make investments in a responsible and sustainable manner. Our decisions will be made on a solid and updated basis where we analyse ESG issues in terms of financial and business risks. We will be active owners in a constructive dialogue with the companies we invest in. The overall principles of active ownership, the concrete responsible investment efforts and the promotion of sustainability form part of Sydbank's Responsible

Investment and Active Ownership Policy. The launch of the new global equity product with the Nordic Swan Ecolabel is a step towards more sustainable investment products where actively selecting a product based on its sustainability factors plays a greater role.

It is Sydbank's wish that over time our share investment portfolio will be invested in compliance with the goals of the Paris Agreement. The long-term target is a 75% carbon reduction from 2021 to 2030 compared to global equity index MSCI All Country World Index (MSCI ACWI). The CO<sub>2</sub> footprint of our investments was calculated for the first time in 2021. The calculations are based on Finance Denmark's CO<sub>2</sub> model for the financial sector. In line with the recommendations of Finance Denmark Sydbank strives to use the most recently available CO<sub>2</sub> data. The data set comprises reported data and in cases where reported data does not exist, estimated data is used. The reported carbon footprint of our investments is a snapshot at the end of the year.

### CO<sub>2</sub> emissions – investments

	2021		2020
	Total	Estimated	
Financed absolute emissions (tCO <sub>2</sub> e)	301,115	20.4%	-
Financed relative emissions (tCO <sub>2</sub> e/m USD)	54.05	20.4%	-
CO <sub>2</sub> footprint MSCI ACWI (tCO <sub>2</sub> e/m USD)	-	-	62.36
CO <sub>2</sub> reduction in share portfolio compared to MSCI ACWI 2020	13.3%	-	-

In 2021 the carbon footprint of our total equity investment portfolio was lowered by 13.3% compared to the carbon footprint of MSCI ACWI in 2020, which is the baseline for our reduction target.

## Responsible employer

### Combating discrimination

Sydbank's obligation to comply with the principles of the UN Global Compact implies that we respect and observe international human rights and 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 financial sector'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.

At present there are 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. Today 30.5% of management positions are held by women. Our target for 2025 is that 35% of management positions at Sydbank are held by women. 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 has been an equal gender balance among participants. In 2021 we introduced gender quotas for other management training programmes at Sydbank. If we are to ensure a higher number of women in management positions we must ensure that there is an equal gender balance already when newly qualified candidates are recruited for a traineeship or work placement. As a result recruitment for traineeship and work placement positions was centralised in 2021 to ensure an equal gender balance among candidates during the initial evaluation rounds.

#### **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 climate footprint**

##### **Actual 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.

Sydbank has its own energy management which ensures that energy efficiency is always a consideration in connection with relevant activities and efforts are made on a daily basis to lower the Bank's 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.

CO<sub>2</sub> emissions were in focus in 2021 and will continue to be in focus going forward. In 2021 we continued our collaboration with engineering consultancy company NIRAS, which assists us in preparing our CO<sub>2</sub> accounts based on our actual energy consumption.

Despite ongoing energy optimisation and focus on the use of renewable energy sources we continue to need electricity generated by conventional energy. Carbon offsetting is achieved by buying electricity generated by Danish wind turbines containing individual declarations as proof that the electricity purchased is generated by Danish wind turbines and offsets Sydbank's CO<sub>2</sub> emissions as regards electricity. However for us climate compensation is not a long-term solution nor does it justify CO<sub>2</sub> emissions. First and foremost we strive to reduce our emissions as much as possible by means of energy-reducing measures. Therefore in 2021 we set up a solar cell system at the regional head office in Esbjerg and continued our ongoing energy optimisation efforts. Our solar cell systems in Slagelse and Aabenraa produced 367,708 kWh of electricity in 2021. The new solar cell system in Esbjerg will be operational from January 2022.

##### **More sustainable company car policy**

Transport by car is a significant item in Sydbank's CO<sub>2</sub> accounts, which is why we purchased additional electric cars and hybrid cars in 2021 to reduce our carbon footprint. We have also updated our company car policy so that only cars in energy class B or better or electric or hybrid cars will be purchased in future. The updating of the company car policy is related to our endorsement of the government's road transport agreement, which aims to increase the number of electric and hybrid cars in Denmark.

##### **Responsible waste separation**

Ongoing efforts are made at Sydbank to improve waste separation. Consequently new solutions for waste separation were implemented in the Bank's Danish branches in 2021. At Sydbank we want waste separation to be carried out in a responsible and meaningful way. This is why the separation solutions have been adjusted according to the needs of the individual branches because the same options for instance to separate food waste do not exist in all the Bank's locations.

# Sydbank's Social Responsibility

## ESG key figures

The Bank's ESG data for 2019-2021 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	2021	2020	2019
<b>Environmental data</b>				
CO <sub>2</sub> emissions, scope 1 (location-based method)	Tonne	412	382	454
CO <sub>2</sub> emissions, scope 2 (location-based method)	Tonne	1,515	1,830	2,258
Electricity consumption	kWh	6,602,424	6,441,908	6,746,458
Water consumption	m <sup>3</sup>	14,447	14,419	14,070
Total energy consumption	GJ	57,981	-	-
Renewable energy share	%	71	-	-
<b>Social data</b>				
Full-time staff	FTE	2,167	2,021	2,107
Gender balance (M/F) among employees	%	49/51	50/50	48/52
Women in Group Executive Management	%	33	25	33
Women in management positions	%	30.5	29.3	29.7
Pay gap between men and women	Times	1.3	1.2	1.2
Employee turnover rate	%	15.8	8.0	12.0
Absence due to illness	Days/FTE	5.8	3.3	3.1
<b>Governance data</b>				
Women board members	%	37.5	37.5	50.0
Pay gap between CEO and employees	Times	13.9	12.6	12.6

## Reporting under EU Taxonomy Regulation

Sydbank has reported under Article 8 of the Taxonomy Regulation for the first time in 2021. As a result Sydbank reports the proportion of its taxonomy-eligible lending and investment. The first reporting was characterised by data challenges as a large percentage of the Bank's customers and the companies in the investment portfolio have not yet started reporting relevant information.

Reporting under Article 8 of the Taxonomy Regulation is available in the CSR report on page 64.







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# Income Statement

DKKm	Note	Sydbank Group		Sydbank A/S	
		2021	2020	2021	2020
Interest income calculated using the effective interest method		2,081	1,824	2,088	1,811
Other interest income		283	269	283	266
<b>Interest income</b>	7	<b>2,364</b>	<b>2,093</b>	<b>2,371</b>	<b>2,077</b>
Interest expense	8	437	462	435	458
<b>Net interest income</b>		<b>1,927</b>	<b>1,631</b>	<b>1,936</b>	<b>1,619</b>
Dividends on shares	9	25	25	25	30
Fee and commission income	10	2,624	2,208	2,478	2,045
Fee and commission expense	10	324	307	290	267
<b>Net interest and fee income</b>		<b>4,252</b>	<b>3,557</b>	<b>4,149</b>	<b>3,427</b>
Market value adjustments	11	474	340	593	348
Other operating income	12	24	20	26	21
Staff costs and administrative expenses	13	3,237	2,724	3,179	2,632
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment		138	109	144	103
Other operating expenses		33	23	33	23
Impairment of loans and advances etc	14	(415)	48	(415)	48
Profit/(Loss) on holdings in associates and subsidiaries	15	7	8	25	11
<b>Profit before tax</b>		<b>1,764</b>	<b>1,021</b>	<b>1,852</b>	<b>1,001</b>
Tax	16	353	222	358	199
<b>Profit for the year</b>		<b>1,411</b>	<b>799</b>	<b>1,494</b>	<b>802</b>
<b>Distribution of profit for the year</b>					
Shareholders of Sydbank A/S				1,455	763
Holders of AT1 capital				39	39
<b>Total amount to be allocated</b>				<b>1,494</b>	<b>802</b>
Proposed dividend to shareholders of Sydbank A/S				701	238
Interest paid to holders of AT1 capital				39	39
Proposal for allocation for other purposes				12	10
Transfer to equity				742	515
<b>Total amount allocated</b>				<b>1,494</b>	<b>802</b>
EPS Basic (DKK)*		23.0	12.8	24.6	12.8
EPS Diluted (DKK)*		23.0	12.8	24.6	12.8
Proposed dividend per share (DKK)		12.00	4.00	12.00	4.00

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

## Statement of Comprehensive Income

<b>Profit for the year</b>	<b>1,411</b>	<b>799</b>	<b>1,494</b>	<b>802</b>
<b>Other comprehensive income</b>				
<u>Items that may be reclassified to the income statement:</u>				
Translation of foreign entities	-	1	-	1
Hedge of net investment in foreign entities	-	(1)	-	(1)
<u>Items that may not be reclassified to the income statement:</u>				
Property revaluation	28	(10)	28	(10)
Value adjustment of certain strategic shares	92	9	-	-
<b>Other comprehensive income after tax</b>	<b>120</b>	<b>(1)</b>	<b>28</b>	<b>(10)</b>
<b>Comprehensive income for the year</b>	<b>1,531</b>	<b>798</b>	<b>1,522</b>	<b>792</b>

# Balance Sheet

DKKm	Note	Sydbank Group		Sydbank A/S	
		2021	2020	2021	2020
<b>Assets</b>					
Cash and balances on demand at central banks		5,513	2,806	5,513	2,806
Amounts owed by credit institutions and central banks	17	16,798	14,428	16,798	14,428
Loans and advances at fair value	18	16,918	17,961	16,918	17,961
Loans and advances at amortised cost	18	67,041	60,229	67,540	61,429
Bonds at fair value	19	28,703	36,942	28,703	36,942
Shares etc	20	2,790	2,409	2,790	2,409
Holdings in associates etc	21	174	173	174	173
Holdings in subsidiaries etc	22	-	-	2,219	3,425
Assets related to pooled plans	23	22,180	19,773	22,180	19,773
Intangible assets	24	405	445	405	445
Owner-occupied property	25	1,131	1,079	905	846
Owner-occupied property (leasing)		105	101	105	101
Total land and buildings		1,236	1,180	1,010	947
Other property, plant and equipment	26	53	70	53	70
Current tax assets		349	147	357	155
Deferred tax assets	16	6	20	11	14
Assets in temporary possession	47	-	971	-	2
Other assets	27	5,955	8,170	5,522	7,768
Prepayments		64	76	64	76
<b>Total assets</b>		<b>168,185</b>	<b>165,800</b>	<b>170,257</b>	<b>168,823</b>
<b>Equity and liabilities</b>					
Amounts owed to credit institutions and central banks	28	6,907	7,093	6,907	7,093
Deposits and other debt	29	93,877	95,919	96,120	99,165
Deposits in pooled plans		22,180	19,773	22,180	19,773
Liabilities temporarily acquired	47	-	88	-	-
Bonds issued at amortised cost	30	13,313	9,563	13,313	9,563
Current tax liabilities		19	-	19	-
Other liabilities	31	16,447	18,465	16,320	18,367
Deferred income		6	7	6	7
<b>Total liabilities</b>		<b>152,749</b>	<b>150,908</b>	<b>154,865</b>	<b>153,968</b>
Provisions	32	366	529	364	529
Subordinated capital	33	1,858	1,857	1,858	1,857
<b>Equity</b>					
Share capital		597	597	597	597
Revaluation reserves		132	104	132	104
Other reserves:					
Reserves according to articles of association		425	425	425	425
Reserve for net revaluation according to equity method		2	2	2	2
Retained earnings		10,544	10,336	10,544	10,336
Proposed dividend etc		713	248	713	248
Shareholders of Sydbank A/S		12,413	11,712	12,413	11,712
Holders of AT1 capital		757	757	757	757
Minority shareholders		42	37	-	-
Total equity		13,212	12,506	13,170	12,469
<b>Total equity and liabilities</b>		<b>168,185</b>	<b>165,800</b>	<b>170,257</b>	<b>168,823</b>

# Statement of Changes in Equity

Sydbank Group

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				0	650	713	1,363	39	9	1,411
Other comprehensive income		28			92		120			120
<b>Comprehensive income for the year</b>	<b>-</b>	<b>28</b>	<b>-</b>	<b>0</b>	<b>742</b>	<b>713</b>	<b>1,483</b>	<b>39</b>	<b>9</b>	<b>1,531</b>
<b>Transactions with owners</b>										
Purchase of own shares					(1,437)		(1,437)			(1,437)
Sale of own shares					1,239		1,239			1,239
Interest paid on AT1 capital							-	(39)		(39)
Exchange rate adjustment					0		0	0		-
Dividend etc paid						(248)	(248)		(6)	(254)
Dividend, own shares					4		4			4
Dividend for 2019					(340)		(340)			(340)
Purchase of holdings in subsidiaries					-		-		2	2
Total transactions with owners	-	-	-	-	(534)	(248)	(782)	(39)	(4)	(825)
<b>Equity at 31 Dec 2021</b>	<b>597</b>	<b>132</b>	<b>425</b>	<b>2</b>	<b>10,544</b>	<b>713</b>	<b>12,413</b>	<b>757</b>	<b>42</b>	<b>13,212</b>
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)
<b>Comprehensive income for the year</b>	<b>-</b>	<b>(12)</b>	<b>-</b>	<b>(2)</b>	<b>519</b>	<b>248</b>	<b>753</b>	<b>39</b>	<b>6</b>	<b>798</b>
<b>Transactions with owners</b>										
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)		-
Dividend cancelled					345	(345)	-			-
Dividend etc paid						(7)	(7)		(5)	(12)
Sale of holdings in subsidiaries					-		-		(2)	(2)
Total transactions with owners	(21)	-	-	-	366	(352)	(7)	(42)	(7)	(56)
<b>Equity at 31 Dec 2020</b>	<b>597</b>	<b>104</b>	<b>425</b>	<b>2</b>	<b>10,336</b>	<b>248</b>	<b>11,712</b>	<b>757</b>	<b>37</b>	<b>12,506</b>

\* 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	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**	Total equity
Equity at 1 Jan 2021	597	104	425	2	10,336	248	11,712	757	12,469
Profit for the period				0	742	713	1,455	39	1,494
Other comprehensive income		28			-		28		28
<b>Comprehensive income for the year</b>	<b>-</b>	<b>28</b>	<b>-</b>	<b>0</b>	<b>742</b>	<b>713</b>	<b>1,483</b>	<b>39</b>	<b>1,522</b>
<b>Transactions with owners</b>									
Purchase of own shares					(1,437)		(1,437)		(1,437)
Sale of own shares					1,239		1,239		1,239
Interest paid on AT1 capital							-	(39)	(39)
Exchange rate adjustment					0		0	0	-
Dividend etc paid						(248)	(248)		(248)
Dividend, own shares					4		4		4
Dividend for 2019					(340)		(340)		(340)
Total transactions with owners	-	-	-	-	(534)	(248)	(782)	(39)	(821)
<b>Equity at 31 Dec 2021</b>	<b>597</b>	<b>132</b>	<b>425</b>	<b>2</b>	<b>10,544</b>	<b>713</b>	<b>12,413</b>	<b>757</b>	<b>13,170</b>
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)
<b>Comprehensive income for the year</b>	<b>-</b>	<b>(12)</b>	<b>-</b>	<b>(2)</b>	<b>519</b>	<b>248</b>	<b>753</b>	<b>39</b>	<b>792</b>
<b>Transactions with owners</b>									
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
Dividend cancelled					345	(345)	-		-
Dividend etc paid						(7)	(7)		(7)
Total transactions with owners	(21)	-	-	-	366	(352)	(7)	(42)	(49)
<b>Equity at 31 Dec 2020</b>	<b>597</b>	<b>104</b>	<b>425</b>	<b>2</b>	<b>10,336</b>	<b>248</b>	<b>11,712</b>	<b>757</b>	<b>12,469</b>

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	2021	2020
<b>Operating activities</b>		
Pre-tax profit for the year	1,764	1,021
Taxes paid	(790)	(174)
<u>Adjustment for non-cash operating items:</u>		
Profit/(Loss) on holdings in associates	0	3
Amortisation and depreciation of intangible assets and property, plant and equipment	138	109
Impairment of loans and advances/guarantees	(415)	47
Other non-cash operating items	(149)	65
	548	1,071
<u>Changes in working capital:</u>		
Credit institutions and central banks	(5,819)	(1,512)
Trading portfolio	7,925	(558)
Other financial instruments at fair value	241	(33)
Loans and advances	(5,354)	(842)
Deposits	(2,042)	1,718
Other assets/liabilities	1,209	187
Cash flows from operating activities	(3,292)	31
<b>Investing activities</b>		
Purchase of holdings in associates	(2)	(29)
Sale of holdings in associates	0	0
Purchase of equity investments	(206)	-
Sale of equity investments	139	-
Purchase of Alm. Brand Bank	-	(1,897)
Purchase of holdings in other subsidiaries	-	(2)
Sale of holdings in other subsidiaries	3	0
Purchase/sale of intangible assets	(1)	-
Purchase of property, plant and equipment	(152)	(110)
Sale of property, plant and equipment	17	11
Cash flows from investing activities	(202)	(2,027)
<b>Financing activities</b>		
Purchase and sale of own holdings	(198)	(2)
Dividend etc	(584)	(7)
Issue of bonds and subordinated capital	3,719	2,133
Cash flows from financing activities	2,937	2,124
<b>Cash flows for the year</b>	<b>(557)</b>	<b>128</b>
Cash and cash equivalents at 1 Jan	6,881	6,753
Cash flows for the year (changes during the year)	(557)	128
<b>Cash and cash equivalents at 31 Dec</b>	<b>6,324</b>	<b>6,881</b>
<b>Cash and cash equivalents at 31 Dec</b>		
Cash and balances on demand at central banks	5,513	2,806
Fully secured cash and cash equivalent balances on demand with credit institutions and insurance companies	811	1,016
Unencumbered certificates of deposit	-	3,059
<b>Cash and cash equivalents at 31 Dec</b>	<b>6,324</b>	<b>6,881</b>

# Notes

## Note 1 Accounting policies

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### 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 consolidated financial statements are prepared in compliance with additional Danish disclosure requirements for annual reports of listed financial companies.

On 2 March 2022 the Board of Directors and the Group Executive Management reviewed and approved the 2021 Annual Report of Sydbank A/S. The Annual Report will be submitted for adoption by the AGM on 24 March 2022.

### New accounting policies

The following amended IFRS standards have been implemented effective from 1 January 2021:

- Amendments to IFRS 9, IAS 39 and IFRS 7 regarding the IBOR reform – Phase 2.

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

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 other 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.

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

# Notes

## Note 1 Accounting policies – continued

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

### Fair value measurement

The Group uses the concept of fair value in connection with certain disclosure requirements as well as recognition 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 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.

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.

### 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
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVPL).

The Group's financial assets are measured at amortised cost 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



## Note 1 Accounting policies – continued

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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 value through profit or loss. Assets comprise bonds, shares, repo transactions and loans and advances at fair value (reverse transactions). 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.

### **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

# Notes

## Note 1 Accounting policies – continued

(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
- **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
- **Credit impaired at initial recognition** – facilities which are credit impaired at the time of acquisition. They are recognised on acquisition at the fair value (net) of the debt acquired. Subsequent measurement is on repayment in full or in part and recognition is through profit or loss under market value adjustments.

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 0.5pp 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 2pp or a doubling of the lifetime PD of the facility.

Moreover facilities are transferred to stage 2 as a result of the conditions below:

- They are more than 30 days past due
- They are forborne and losses are not expected in the most likely scenario
- A 2-year waiting period for facilities on special terms is observed without overdrafts.

Exposures belonging to clients whose ability to pay shows significant signs of weakness are classified as 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.

In connection with renegotiation 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 this connection 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

## Note 1 Accounting policies – continued

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.

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.

Moreover the Group has recognised management estimates which are described in note 2 on page 69.

### Default

The definition of default used to measure expected credit losses and to 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 except for exposures in default as a result of a waiting period, 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 very likely 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 the most likely
- The exposure is being treated as non-performing
- The exposure has been significantly overdrawn for more than 90 consecutive days
- Distressed restructuring has been granted.

Exposures in default are classified as stage 3.

### Collateral

Collateral is measured on the basis of a cautiously estimated fair value in connection with the calculation of impairment charges.

### 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 an explicitly 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

# Notes

## Note 1 Accounting policies – continued

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- 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.

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 resulting from 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 market participants. 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.

### 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 (market 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".

## Note 1 Accounting policies – continued

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### 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 once a year 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. The carrying amount of goodwill is allocated to Banking at the time of acquisition.

Impairment charges for goodwill are not reversed.

### 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.

# Notes

## Note 1 Accounting policies – continued

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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.

### 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 non-financial 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 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.

### 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".

### Tax

The Bank is jointly taxed with its Danish consolidated entities.

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 and adjustment of prior year tax charges. 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.

## Note 1 Accounting policies – continued

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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.

### 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 state-

ment 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

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### 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 2021 financial statements. These include IFRS 17 as well as amendments to IFRS 3, IFRS 16, IAS 1, IAS 12, IAS 16 and IAS 37.

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

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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 unlisted financial instruments.

### 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 2021 the probability of the downturn scenario was fixed at 95%, which is unchanged compared with 31 December 2020.

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 2020 management's impairment charges totalled DKK 325m, of which DKK 125m concerned management estimates to hedge the risk of unsecured loans and advances in the weakest rating categories 7-9 and default (excluding agriculture). Furthermore DKK 200m concerned a management estimate to cover unforeseen events as a result of covid-19 as regards the remaining part of the lending portfolio in rating categories 1-6, the credit risk of which is satisfactory or normal.

At 31 December 2021 management's 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 2021 the Group's unsecured loans and advances in the weakest rating categories 7-9 and default (excluding agriculture) amounted to DKK 489m. 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 25%.

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 categories 1-6, the credit risk of which is satisfactory or normal.

Impairment charges for loans and advances to pig farming comprise a new management estimate of DKK 60 m (2020: DKK 0m).

# Notes

## Note 2 Accounting estimates and judgements – continued

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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 50% of the Group's assets at year-end 2021.

Provisions for financial 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.

### 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 2.3bn at 31 December 2021, equivalent to 3.5% of total loans and advances of DKK 67.0bn.

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) represent DKK 0.7bn before deduction of collateral received. After deduction of collateral received, unsecured loans and advances represent DKK 0.5bn.

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 2021, equivalent to 1.5% of total loans and advances of DKK 67.0bn.

### 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 2,161m, equivalent to 1.3% of the Group's assets at year-end 2021.

### 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	SA-CCR Approach
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 relate to 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	
	2021	2020
CET1 ratio	17.9	18.8
T1 capital ratio	19.3	20.4
Capital ratio	22.8	24.0
<b>Total capital</b>		
Equity, shareholders of Sydbank A/S	12,413	11,712
Prudent valuation	(73)	(85)
Actual or contingent obligations to purchase own shares	(9)	(10)
Proposed dividend	(713)	(248)
Intangible assets and capitalised deferred tax assets	(351)	(420)
Significant investments in financial sector	(1,073)	(882)
Transitional arrangement IFRS 9	89	118
Insufficient coverage for non-performing exposures	(6)	-
<b>CET1 capital</b>	<b>10,277</b>	<b>10,185</b>
AT1 capital – equity	744	744
AT1 capital – debt	55	112
<b>T1 capital</b>	<b>11,076</b>	<b>11,041</b>
T2 capital	1,802	1,745
Difference between expected losses and impairment for accounting purposes	204	166
<b>Total capital</b>	<b>13,082</b>	<b>12,952</b>

# Notes

## Note 3 Solvency – continued

Sydbank Group

DKKm	2021	2020
Credit risk	38,849	33,355
Market risk	5,467	6,675
Operational risk	7,195	6,708
Other exposures, incl CVA	5,904	7,302
<b>REA</b>	<b>57,415</b>	<b>54,040</b>
<b>Pillar 1 capital requirements (8%)</b>	<b>4,593</b>	<b>4,323</b>

## Note 4 Leverage ratio

Sydbank Group

Sydbank A/S

	2021	2020	2021	2020
<b>Leverage ratio exposures</b>				
Total assets	168,185	165,800	170,257	168,823
Of which pooled assets	(22,180)	(19,773)	(22,180)	(19,773)
Correction derivatives etc	5,053	5,878	5,053	5,878
Guarantees etc	19,722	19,479	19,722	19,479
Undrawn credit commitments etc	10,348	10,449	10,363	10,465
Other adjustments	(2,425)	(1,313)	(2,425)	(1,256)
<b>Total</b>	<b>178,703</b>	<b>180,520</b>	<b>180,790</b>	<b>183,616</b>
T1 capital – current (transitional rules)	11,076	11,041	11,076	11,074
T1 capital – fully loaded	10,932	10,930	10,932	10,963
Leverage ratio (%) – current (transitional rules)	6.2	6.1	6.1	6.0
Leverage ratio (%) – fully loaded	6.1	6.1	6.0	6.0

## 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.

Note 5 Segment reporting – continued

Sydbank Group

DKKm	Banking	Asset Management	Sydbank Markets	Treasury	Other	Total
<b>Operating segments 2021</b>						
Core income*	3,943	380	113	-	-	4,436
Trading income	-	-	291	-	-	291
<b>Total income</b>	<b>3,943</b>	<b>380</b>	<b>404</b>	<b>-</b>	<b>-</b>	<b>4,727</b>
Costs, core earnings	2,786	140	188	-	63	3,177
Impairment of loans and advances etc	(415)	-	-	-	-	(415)
<b>Core earnings</b>	<b>1,572</b>	<b>240</b>	<b>216</b>	<b>-</b>	<b>(63)</b>	<b>1,965</b>
Investment portfolio earnings	4	-	-	(25)	-	(21)
<b>Profit before non-recurring items</b>	<b>1,576</b>	<b>240</b>	<b>216</b>	<b>(25)</b>	<b>(63)</b>	<b>1,944</b>
Non-recurring items, net	(43)	(10)	(127)	-	-	(180)
<b>Profit before tax</b>	<b>1,533</b>	<b>230</b>	<b>89</b>	<b>(25)</b>	<b>(63)</b>	<b>1,764</b>
Depreciation and impairment of property, plant and equipment	127	4	7	-	1	139
Full-time staff at 31 Dec	1,890	55	106	4	22	2,077
<b>Operating segments 2020</b>						
Core income*	3,292	288	90	-	-	3,670
Trading income	-	-	278	-	-	278
<b>Total income</b>	<b>3,292</b>	<b>288</b>	<b>368</b>	<b>-</b>	<b>-</b>	<b>3,948</b>
Costs, core earnings	2,435	110	178	-	51	2,774
Impairment of loans and advances etc	47	-	-	-	-	47
<b>Core earnings</b>	<b>810</b>	<b>178</b>	<b>190</b>	<b>-</b>	<b>(51)</b>	<b>1,127</b>
Investment portfolio earnings	1	-	-	(32)	-	(31)
<b>Profit before non-recurring items</b>	<b>811</b>	<b>178</b>	<b>190</b>	<b>(32)</b>	<b>(51)</b>	<b>1,096</b>
Non-recurring items, net	(75)	-	-	-	-	(75)
<b>Profit before tax</b>	<b>736</b>	<b>178</b>	<b>190</b>	<b>(32)</b>	<b>(51)</b>	<b>1,021</b>
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

\* See specification on page 15.

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.

# Notes

## Note 5 Segment reporting – continued

Sydbank Group

DKKm	2021		2020	
	Total income	Assets	Total income	Assets
<b>Geographical segments</b>				
Denmark	4,525	1,838	3,771	1,816
Abroad	202	52	177	52
<b>Total</b>	<b>4,727</b>	<b>1,890</b>	<b>3,948</b>	<b>1,868</b>

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	2021			Profit before tax
					Core earnings	Investment portfolio earnings	Non-recurring items, net	
<b>2021</b>								
Net interest and fee income	4,095	127			4,221	31		4,252
Market value adjustments	310	164		0	474	(45)	45	474
Other operating income	24				24			24
<b>Income</b>	<b>4,429</b>	<b>291</b>	<b>-</b>	<b>0</b>	<b>4,720</b>	<b>(14)</b>	<b>45</b>	<b>4,751</b>
Staff costs and administrative expenses			(3,005)		(3,005)	(7)	(225)	(3,237)
Amortisation and depreciation and impairment of intangible assets and property, plant and equipment			(138)		(138)			(138)
Other operating expenses			(33)		(33)			(33)
Impairment of loans and advances etc				415	415			415
Profit/(Loss) on holdings in associates and subsidiaries	7				7			7
<b>Profit before tax</b>	<b>4,436</b>	<b>291</b>	<b>(3,177)</b>	<b>415</b>	<b>1,965</b>	<b>(21)</b>	<b>(180)</b>	<b>1,764</b>
<b>2020</b>								
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
<b>Income</b>	<b>3,662</b>	<b>278</b>	<b>-</b>	<b>1</b>	<b>3,941</b>	<b>(24)</b>	<b>-</b>	<b>3,917</b>
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
<b>Profit before tax</b>	<b>3,670</b>	<b>278</b>	<b>(2,774)</b>	<b>(47)</b>	<b>1,127</b>	<b>(31)</b>	<b>(75)</b>	<b>1,021</b>

Note 7 Interest income	Sydbank Group		Sydbank A/S		
	DKKm	2021	2020	2021	2020
<b>Interest income calculated using the effective interest method</b>					
Amounts owed by credit institutions and central banks		28	27	30	27
Loans and advances and other amounts owed		1,606	1,530	1,611	1,517
Other interest income		1	1	1	1
Interest on amounts owed to credit institutions*		6	6	6	6
Interest on deposits*		440	260	440	260
<b>Total</b>		<b>2,081</b>	<b>1,824</b>	<b>2,088</b>	<b>1,811</b>
<b>Other interest income</b>					
Repo transactions with credit institutions and central banks and repo deposits*		33	29	33	29
Bonds		107	119	107	116
Total derivatives		143	121	143	121
comprising:					
Foreign exchange contracts		25	(4)	25	(4)
Interest rate contracts		118	125	118	125
Other contracts		0	0	0	0
<b>Total</b>		<b>283</b>	<b>269</b>	<b>283</b>	<b>266</b>
<b>Total</b>		<b>2,364</b>	<b>2,093</b>	<b>2,371</b>	<b>2,077</b>
* Negative interest expense					
Fair value, designated at initial recognition		33	29	33	29
Fair value, held for trading		250	240	250	237
Assets recognised at amortised cost		2,081	1,824	2,088	1,811
<b>Total</b>		<b>2,364</b>	<b>2,093</b>	<b>2,371</b>	<b>2,077</b>

The Group's cash resources primarily comprise 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.



# Notes

## Note 8 Interest expense

DKKm	Sydbank Group		Sydbank A/S	
	2021	2020	2021	2020
Reverse transactions with credit institutions and central banks and reverse loans and advances*	99	106	99	106
Amounts owed to credit institutions and central banks	2	9	2	8
Deposits and other debt	53	112	51	109
Bonds*	16	9	16	9
Bonds issued	132	111	132	111
Interest on amounts owed by credit institutions and central banks*	108	86	108	86
Subordinated capital	26	26	26	26
Other interest expense	1	3	1	3
<b>Total</b>	<b>437</b>	<b>462</b>	<b>435</b>	<b>458</b>

\* Negative interest income

Fair value, designated at initial recognition	99	106	99	106
Fair value, held for trading	16	9	16	9
Liabilities recognised at amortised cost	322	347	320	343
<b>Total</b>	<b>437</b>	<b>462</b>	<b>435</b>	<b>458</b>

## Note 9 Dividends on shares

Fair value, designated at initial recognition (FVPL)	25	25	25	25
Fair value, held for trading	-	-	-	5
<b>Total</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>30</b>

Note 10 Fee and commission income	Sydbank Group		Sydbank A/S		
	DKKm	2021	2020	2021	2020
Securities trading and custody accounts		899	774	754	611
Advisory fee, asset management		411	307	411	307
Payment services		313	273	313	273
Loan fees		201	198	201	198
Guarantee commission		161	146	161	146
Income concerning funded mortgage-like loans		93	117	93	117
Other fees and commission		546	393	545	393
<b>Total fee and commission income</b>		<b>2,624</b>	<b>2,208</b>	<b>2,478</b>	<b>2,045</b>
Fee expense, asset management		11	11	11	11
Other fee and commission expense		313	296	279	256
<b>Total fee and commission expense</b>		<b>324</b>	<b>307</b>	<b>290</b>	<b>267</b>
<b>Net fee and commission income</b>		<b>2,300</b>	<b>1,901</b>	<b>2,188</b>	<b>1,778</b>

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 (2020: DKK 1.3m) 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	80	1	80	1
Bonds	(82)	(21)	(82)	(19)
Shares etc	198	142	317	148
Foreign exchange	213	166	213	166
Derivatives	65	52	65	52
Assets related to pooled plans	2,104	300	2,104	300
Deposits in pooled plans	(2,104)	(300)	(2,104)	(300)
Other assets/liabilities	0	0	0	0
<b>Total</b>	<b>474</b>	<b>340</b>	<b>593</b>	<b>348</b>
Fair value, held for trading, trading portfolio	329	224	329	224
Fair value, designated at initial recognition, equity investments (FVPL)	145	116	264	124
<b>Total</b>	<b>474</b>	<b>340</b>	<b>593</b>	<b>348</b>

The Group's cash resources primarily comprise 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	14	12	14	12
Other operating income	10	8	12	9
<b>Total</b>	<b>24</b>	<b>20</b>	<b>26</b>	<b>21</b>

# Notes

## Note 13 Staff costs and administrative expenses

DKKm	Sydbank Group		Sydbank A/S	
	2021	2020	2021	2020
<b>Salaries and remuneration</b>				
Group Executive Management	21	18	21	18
Board of Directors	7	6	7	6
Shareholders' Committee	3	4	3	4
<b>Total</b>	<b>31</b>	<b>28</b>	<b>31</b>	<b>28</b>
<b>Staff costs</b>				
Wages and salaries	1,451	1,265	1,412	1,206
Pensions	153	128	149	122
Social security contributions	18	14	18	14
Payroll tax	193	169	187	161
<b>Total</b>	<b>1,815</b>	<b>1,576</b>	<b>1,766</b>	<b>1,503</b>
<b>Other administrative expenses</b>				
IT	995	841	983	819
Rent etc	95	100	108	111
Marketing and entertainment expenses	93	68	82	58
Other costs	208	111	209	113
<b>Total</b>	<b>1,391</b>	<b>1,120</b>	<b>1,382</b>	<b>1,101</b>
<b>Total</b>	<b>3,237</b>	<b>2,724</b>	<b>3,179</b>	<b>2,632</b>
<b>Audit fees</b>				
Statutory audit	2	6	2	6
Other assurance engagements	0	1	0	1
Tax consultancy	0	0	0	0
Fees for other services	2	1	2	1
<b>Total</b>	<b>4</b>	<b>8</b>	<b>4</b>	<b>8</b>
<p>In addition to the statutory audit, services provided by the Bank's independent auditor have comprised statutory reports and other audit services in connection with bond issues as well as compliance and IT advisory services.</p> <p>In addition to fees paid to the independent auditor, operating expenses have been incurred as regards the Group's Internal Audit.</p>				
<b>Staff</b>				
Average number of staff (full-time equivalent)	2,168	2,047	2,096	1,977

<b>Note 13 Staff costs and administrative expenses – continued</b>	<b>Sydbank Group</b>		<b>Sydbank A/S</b>	
<b>DKK thousand</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Directors' remuneration</b>				
Directors' remuneration	5,327	5,165	5,327	5,165
Committee fee*	1,724	1,316	1,724	1,316
<b>Total</b>	<b>7,051</b>	<b>6,481</b>	<b>7,051</b>	<b>6,481</b>

**\* Of which:**

Audit Committee	458	397	458	397
Risk Committee	458	338	458	338
Remuneration Committee	176	158	176	158
Nomination Committee	271	244	271	244
Digitization Committee	361	179	361	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.

<b>DKKm</b>	<b>Sydbank Group</b>		<b>Sydbank A/S</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Remuneration of the Group Executive Management</b>				
Fixed remuneration	20.9	17.9	20.9	17.9
Variable remuneration	0.0	0.1	0.0	0.1
Benefits by way of company car etc	0.8	0.9	0.8	0.9
Of which fees received in connection with directorships	(0.6)	(0.5)	(0.6)	(0.5)
<b>Group costs</b>	<b>21.1</b>	<b>18.4</b>	<b>21.1</b>	<b>18.4</b>

The Group Executive Management only receives variable remuneration below the minimum threshold, of 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 costs include a privately paid pension.

**Group Executive Management – severance terms**

**Karen Frøsig, Bjarne Larsen, Jørn Adam Møller and Henning Dam (resigned from the Group Executive Management in December 2021)**

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.

Details about remuneration for members of the Board of Directors and the Group Executive Management for 2021 are available at the Bank's website [sydbank.com/about/investor-relations/corporate-governance](http://sydbank.com/about/investor-relations/corporate-governance).

Further details about the Bank's remuneration policy are available at the Bank's website [sydbank.dk/omsydbank/organisation](http://sydbank.dk/omsydbank/organisation) – see "Lønudvalg" (in Danish only).

# Notes

Note 13 Staff costs and administrative expenses – continued DKKm	Sydbank Group		Sydbank A/S	
	2021	2020	2021	2020
<b>Remuneration to material risk takers</b>				
Fixed remuneration	44.1	35.8	42.5	34.0
Variable remuneration	0.2	0.3	0.1	0.3
<b>Total</b>	<b>44.3</b>	<b>36.1</b>	<b>42.6</b>	<b>34.3</b>
Number of full-time staff (average)	27.2	24.3	26.2	23.3
<b>Remuneration to material control functions</b>				
Fixed remuneration	13.9	13.6	13.9	13.6
Variable remuneration	0.0	0.0	0.0	0.0
<b>Total</b>	<b>13.9</b>	<b>13.6</b>	<b>13.9</b>	<b>13.6</b>
Number of full-time staff (average)	11.4	10.5	11.4	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	Sydbank Group		Sydbank A/S	
DKKm	2021	2020	2021	2020
<b>Impairment of loans and advances recognised in the income statement</b>				
Impairment and provisions	(214)	(21)	(214)	(21)
Write-offs	44	189	44	189
Recovered from debt previously written off	245	120	245	120
<b>Impairment of loans and advances etc</b>	<b>(415)</b>	<b>48</b>	<b>(415)</b>	<b>48</b>
<b>Impairment and provisions at 31 Dec (allowance account)*</b>				
Stage 1	313	374	313	374
Stage 2	690	493	690	493
Stage 3	646	1,037	801	1,194
Management estimates concerning covid-19	325	325	325	325
<b>Impairment and provisions at 31 Dec</b>	<b>1,974</b>	<b>2,229</b>	<b>2,129</b>	<b>2,386</b>
<b>Impairment and provisions</b>				
Impairment and provisions at 1 Jan	2,229	2,244	2,386	2,401
New impairment charges and provisions during the period, net	(158)	24	(160)	24
Additions concerning portfolio acquired	-	200	-	200
Impairment charges previously recorded, now finally written off	97	239	97	239
<b>Impairment and provisions at 31 Dec</b>	<b>1,974</b>	<b>2,229</b>	<b>2,129</b>	<b>2,386</b>
Impairment charges for loans and advances	1,830	2,049	1,985	2,206
Provisions for undrawn credit commitments	48	55	48	55
Provisions for guarantees**	96	125	96	125
<b>Impairment and provisions at 31 Dec</b>	<b>1,974</b>	<b>2,229</b>	<b>2,129</b>	<b>2,386</b>

\* Impairment and provisions at 31 December 2021 include a new management estimate as regards pig farming of DKK 60m (2020: DKK 0m).

\*\* Provision for guarantees as regards the portfolio acquired from Alm. Brand Bank, which is recognised as credit impaired at initial recognition, totals DKK 16m.

Losses recognised for the year where a legal claim has been upheld represented DKK 182m at year-end 2021 (2020: DKK 440m).

# Notes

Note 15 Profit/(Loss) on holdings in associates and subsidiaries	Sydbank Group		Sydbank A/S		
	DKKm	2021	2020	2021	2020
Profit/(Loss) on holdings in associates etc		7	8	7	8
Profit/(loss) on holdings in subsidiaries		-	-	18	3
<b>Total</b>		<b>7</b>	<b>8</b>	<b>25</b>	<b>11</b>

## Note 16 Tax

Tax calculated on income for the year	447	190	465	178
Deferred tax	(89)	28	(102)	17
Adjustment of prior year tax charges	(5)	4	(5)	4
<b>Total</b>	<b>353</b>	<b>222</b>	<b>358</b>	<b>199</b>
Of which tax in Germany	19	1	19	1

## Effective tax rate

Current tax rate of Sydbank	22.0	22.0	22.0	22.0
Permanent differences	(1.7)	(0.7)	(2.4)	(2.5)
Adjustment of prior year tax charges	(0.3)	0.4	(0.3)	0.4
<b>Effective tax rate</b>	<b>20.0</b>	<b>21.7</b>	<b>19.3</b>	<b>19.9</b>
Of which effective tax rate in Germany	30.9	30.4	30.9	30.4

## Deferred tax

Deferred tax at 1 Jan	286	258	292	275
Deferred tax for the year recognised in profit for the year	(90)	28	(103)	17
Deferred tax for the year recognised directly in equity	0	0	0	0
<b>Deferred tax at 31 Dec, net</b>	<b>196</b>	<b>286</b>	<b>189</b>	<b>292</b>
Deferred tax assets	6	20	11	14
Deferred tax liabilities	202	306	200	306
<b>Deferred tax at 31 Dec, net</b>	<b>196</b>	<b>286</b>	<b>189</b>	<b>292</b>

Note 16 Tax – continued

Sydbank Group

DKKm	2021				2020			
	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
<b>Breakdown of deferred tax</b>								
Loans and advances at amortised cost (incl IFRS 9 adjustment)	277	(77)	-	200	252	25	-	277
Shares	0	0	-	0	0	0	-	0
Land and buildings	2	1	-	3	2	0	-	2
Property, plant and equipment	(23)	0	-	(23)	(20)	(3)	-	(23)
Intangible assets	64	(5)	-	59	45	19	-	64
Other assets	17	(22)	-	(5)	29	(12)	-	17
Provisions	(1)	0	-	(1)	(1)	0	-	(1)
Other liabilities	(25)	(9)	-	(34)	(27)	2	-	(25)
Capitalised losses, jointly taxed income	(22)	22	-	-	(20)	(2)	-	(22)
AT1 capital	(3)	0	0	(3)	(2)	(1)	0	(3)
<b>Deferred tax at 31 Dec, net</b>	<b>286</b>	<b>(90)</b>	<b>0</b>	<b>196</b>	<b>258</b>	<b>28</b>	<b>0</b>	<b>286</b>

Note 17 Amounts owed by credit institutions and central banks

Sydbank Group

Sydbank A/S

DKKm	2021	2020	2021	2020
Amounts owed at notice by central banks	12,478	10,288	12,478	10,288
Amounts owed by credit institutions	4,320	4,140	4,320	4,140
<b>Total</b>	<b>16,798</b>	<b>14,428</b>	<b>16,798</b>	<b>14,428</b>
On demand	811	3,995	811	3,995
3 months or less	15,987	10,433	15,987	10,433
<b>Total</b>	<b>16,798</b>	<b>14,428</b>	<b>16,798</b>	<b>14,428</b>
Of which reverse transactions	2,932	2,835	2,932	2,835



# Notes

## Note 18 Loans and advances

DKKm	Sydbank Group		Sydbank A/S	
	2021	2020	2021	2020
On demand	17,552	13,434	17,876	14,458
3 months or less	18,296	19,526	18,296	19,526
Over 3 months not exceeding 1 year	24,281	21,068	24,281	21,244
Over 1 year not exceeding 5 years	14,439	14,743	14,614	14,743
Over 5 years	9,391	9,419	9,391	9,419
<b>Total</b>	<b>83,959</b>	<b>78,190</b>	<b>84,458</b>	<b>79,390</b>
Loans and advances at fair value – reverse transactions	16,918	17,961	16,918	17,961
Loans and advances at amortised cost – bank loans and advances	67,041	60,229	67,540	61,429
<b>Total</b>	<b>83,959</b>	<b>78,190</b>	<b>84,458</b>	<b>79,390</b>

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

Agriculture, hunting, forestry and fisheries	3.5	3.4	3.6	3.5
Manufacturing and extraction of raw materials	9.8	9.4	9.8	9.3
Energy supply etc	3.5	3.0	3.5	3.0
Building and construction	5.4	4.6	5.3	4.5
Trade	15.4	11.8	15.6	12.1
Transportation, hotels and restaurants	3.1	3.0	3.1	3.0
Information and communication	0.5	0.7	0.5	0.7
Finance and insurance	22.8	24.3	22.8	24.3
Real property	5.6	5.7	5.6	5.7
Other industries	4.0	3.7	3.9	3.7
<b>Total corporate</b>	<b>73.6</b>	<b>69.6</b>	<b>73.7</b>	<b>69.8</b>
Public authorities	0.1	0.1	0.1	0.1
Retail	26.3	30.3	26.2	30.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

## Collateral received and types of collateral

Loans and advances at fair value	16,918	17,961	16,918	17,961
Loans and advances at amortised cost	67,041	60,229	67,540	61,429
Guarantees	19,722	19,477	19,722	19,477
Credit exposure for accounting purposes	103,681	97,667	104,180	98,867
Collateral value	64,311	65,900	64,311	65,900
<b>Total unsecured</b>	<b>39,370</b>	<b>31,767</b>	<b>39,869</b>	<b>32,967</b>

## Types of collateral

Real property	11,793	10,906	11,793	10,906
Financial collateral	22,833	23,207	22,833	23,207
Lease assets, mortgages etc	6,973	9,283	6,973	9,283
Floating charges, operating equipment etc	9,092	8,132	9,092	8,132
Guarantees	1,936	1,286	1,936	1,286
Other items of collateral	624	560	624	560
<b>Total collateral used</b>	<b>53,251</b>	<b>53,374</b>	<b>53,251</b>	<b>53,374</b>
Particularly secured transactions (mortgage guarantees)	11,060	12,526	11,060	12,526
<b>Total</b>	<b>64,311</b>	<b>65,900</b>	<b>64,311</b>	<b>65,900</b>

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 2021 repossessed equipment in connection with non-performing exposures amounted to DKK 23m (2020: DKK 21m). 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	2021				2020			
	Loans/ advances	Guaran- tees	Collateral value	Un- secured	Loans/ advances	Guaran- tees	Collateral value	Un- secured
<b>Collateral by rating category</b>								
<b>Rating category</b>								
1	8,778	6,781	14,609	950	7,630	6,451	13,325	756
2	25,308	4,385	14,873	14,820	22,364	3,487	13,987	11,864
3	20,212	3,144	12,329	11,027	16,812	3,189	10,111	9,890
4	16,578	1,454	11,235	6,797	15,639	1,218	11,859	4,998
5	4,640	947	3,067	2,520	6,057	751	4,653	2,155
6	2,290	355	1,343	1,302	1,827	301	1,265	863
7	393	56	236	213	578	63	268	373
8	232	31	140	123	394	55	231	218
9	1,517	179	817	879	2,765	315	1,547	1,533
Default	1,076	133	777	432	615	71	310	376
NR/STD*	4,765	2,257	4,885	2,137	5,558	3,576	8,344	790
<b>Total</b>	<b>85,789</b>	<b>19,722</b>	<b>64,311</b>	<b>41,200</b>	<b>80,239</b>	<b>19,477</b>	<b>65,900</b>	<b>33,816</b>
Impairment of loans and advances	1,830	-	-	1,830	2,049	-	-	2,049
<b>Total</b>	<b>83,959</b>	<b>19,722</b>	<b>64,311</b>	<b>39,370</b>	<b>78,190</b>	<b>19,477</b>	<b>65,900</b>	<b>31,767</b>
Stage 1	80,732	19,028	61,414	38,346	74,116	18,692	62,822	29,986
Stage 2	2,549	490	2,135	904	2,801	518	2,134	1,185
Stage 3	507	137	544	100	972	184	944	212
Credit impaired at initial recognition	171	67	218	20	301	83	-	384
<b>Total</b>	<b>83,959</b>	<b>19,722</b>	<b>64,311</b>	<b>39,370</b>	<b>78,190</b>	<b>19,477</b>	<b>65,900</b>	<b>31,767</b>

\* 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	2021			2020		
	Retail	Corporate	Total	Retail	Corporate	Total
<b>Past due amounts but not impaired*</b>						
0-30 days	60	88	148	35	84	119
31-60 days	2	0	2	0	1	1
61-90 days	6	0	6	-	-	-
<b>Total</b>	<b>68</b>	<b>88</b>	<b>156</b>	<b>35</b>	<b>85</b>	<b>120</b>
<b>Rating category</b>						
1	6	0	6	11	0	11
2	3	1	4	5	27	32
3	0	0	0	10	31	41
4	10	0	10	4	11	15
5	0	0	0	3	7	10
6	20	32	52	1	3	4
7	0	0	0	0	1	1
8	9	2	11	0	0	0
9	0	17	17	0	5	5
NR/STD	20	36	56	1	0	1
<b>Total</b>	<b>68</b>	<b>88</b>	<b>156</b>	<b>35</b>	<b>85</b>	<b>120</b>

\* 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 impaired.

# Notes

## Note 18 Loans and advances – continued

Sydbank Group

DKKm					2021	2020
	Stage 1	Stage 2	Stage 3	Credit impaired at initial recognition**	Total	Total
<b>Loans and advances, guarantees and allowance account by stage</b>						
Loans and advances before impairment charges	64,296	3,306	1,098	171	68,871	62,278
Guarantees*	19,028	490	137	67	19,722	19,477
<b>Total loans and advances and guarantees</b>	<b>83,324</b>	<b>3,796</b>	<b>1,235</b>	<b>238</b>	<b>88,593</b>	<b>81,755</b>
%	94.0	4.3	1.4	0.3	100.0	100.0
<b>Impairment charges and provisions</b>						
Impairment charges for loans and advances	482	757	591		1,830	2,049
Provisions for undrawn credit commitments	28	16	4		48	55
Provisions for guarantees*	15	30	51		96	125
<b>Total allowance account</b>	<b>525</b>	<b>803</b>	<b>646</b>	<b>-</b>	<b>1,974</b>	<b>2,229</b>
<b>Allowance account movements</b>						
Allowance account at 1 Jan	512	680	1,037		2,229	2,244
New impairment charges and provisions during the period, net	13	123	(294)		(158)	24
Additions concerning Alm. Brand Bank					-	200
Impairment charges previously recorded, now finally written off			(97)		(97)	(239)
<b>Total allowance account at 31 Dec</b>	<b>525</b>	<b>803</b>	<b>646</b>	<b>-</b>	<b>1,974</b>	<b>2,229</b>
<b>Impairment charges and provisions as % of loans and advances and guarantees</b>						
Impairment charges as % of loans and advances	0.7	22.9	53.8		2.7	3.3
Provisions as % of guarantees	0.1	6.1	37.5		0.5	0.6
<b>Allowance account as % of loans and advances and guarantees</b>	<b>0.6</b>	<b>21.2</b>	<b>52.4</b>	<b>-</b>	<b>2.2</b>	<b>2.7</b>
<b>Loans and advances after impairment charges</b>						
Loans and advances before impairment charges	64,296	3,306	1,098	171	68,871	62,278
Impairment charges for loans and advances	482	757	591		1,830	2,049
<b>Loans and advances after impairment charges</b>	<b>63,814</b>	<b>2,549</b>	<b>507</b>	<b>171</b>	<b>67,041</b>	<b>60,229</b>
%	95.2	3.8	0.8	0.2	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 16m.

\*\* Loans and advances before impairment charges recognised as credit impaired at initial recognition total DKK 491m.

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" on page 69 for a more detailed description.

In addition to individually calculated impairment charges, a management estimate of DKK 325m was recognised at year-end 2021 (2020: DKK 325m) 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.

Impairment charges for loans and advances to pig farming comprise a new management estimate of DKK 60m (2020: DKK 0m).

Note 18 Loans and advances – continued

Sydbank Group

DKKm	Allowance account		Impairment of loans and advances etc	
	2021	2020	2021	2020
<b>Industry breakdown of the Group's allowance account and impairment of loans and advances etc recognised in the income statement</b>				
<b>Industry</b>				
Agriculture, hunting, forestry and fisheries	283	413	(251)	(219)
Manufacturing and extraction of raw materials	261	317	(87)	118
Energy supply etc	26	18	8	11
Building and construction	130	133	(5)	40
Trade	364	397	(1)	131
Transportation, hotels and restaurants	99	74	16	12
Information and communication	6	6	1	(5)
Finance and insurance	95	85	12	(2)
Real property	106	152	(30)	(35)
Other industries	146	112	22	75
Total corporate	1,516	1,707	(315)	126
Public authorities	0	0	0	0
Retail	458	522	(100)	(78)
<b>Total</b>	<b>1,974</b>	<b>2,229</b>	<b>(415)</b>	<b>48</b>

# Notes

## Note 18 Loans and advances – continued

Sydbank Group

DKKm				Credit impaired at initial recognition	2021	2020
	Stage 1	Stage 2	Stage 3		Total	Total
<b>Loans and advances before impairment charges</b>						
<b>Rating category</b>						
1	5,789	4			5,793	5,299
2	19,616	13			19,629	16,565
3	18,101	7			18,108	16,033
4	10,404	24			10,428	7,996
5	3,949	691			4,640	4,648
6	1,931	359			2,290	1,827
7	100	293			393	578
8		232			232	394
9		1,517			1,517	2,765
Default			1,076		1,076	615
NR/STD	4,406	166	22	171	4,765	5,558
<b>Total</b>	<b>64,296</b>	<b>3,306</b>	<b>1,098</b>	<b>171</b>	<b>68,871</b>	<b>62,278</b>

## Impairment of loans and advances

### Rating category

1	38				38	1
2	112				112	67
3	88				88	39
4	80	1			81	71
5	30	28			58	74
6	51	24			75	52
7	9	45			54	102
8		38			38	95
9		506			506	965
Default			569		569	343
NR/STD	74	115	22		211	240
<b>Total</b>	<b>482</b>	<b>757</b>	<b>591</b>	<b>-</b>	<b>1,830</b>	<b>2,049</b>

## Loans and advances after impairment charges

### Rating category

1	5,751	4			5,755	5,298
2	19,504	13			19,517	16,498
3	18,013	7			18,020	15,994
4	10,324	23			10,347	7,925
5	3,919	663			4,582	4,574
6	1,880	335			2,215	1,775
7	91	248			339	476
8		194			194	299
9		1,011			1,011	1,800
Default			507		507	272
NR/STD	4,332	51		171	4,554	5,318
<b>Total</b>	<b>63,814</b>	<b>2,549</b>	<b>507</b>	<b>171</b>	<b>67,041</b>	<b>60,229</b>

Note 18 Loans and advances – continued

Sydbank Group

DKKm					2021	2020
	Stage 1	Stage 2	Stage 3	Credit impaired at initial recognition	Total	Total
<b>Loans and advances before impairment charges</b>						
<b>1 Jan</b>	<b>56,621</b>	<b>3,440</b>	<b>1,916</b>	<b>301</b>	<b>62,278</b>	<b>62,616</b>
<b>Transfers between stages</b>						
Additions concerning portfolio acquired						4,306
Transferred to stage 1	947	(794)	(153)			
Transferred to stage 2	(884)	1,201	(317)			
Transferred to stage 3	(94)	(285)	379			
New exposures	16,637	564	587		17,788	14,286
Redeemed exposures	(10,402)	(681)	(869)		(11,952)	(12,299)
Changes in balances	1,471	(139)	(308)	(130)	894	(6,203)
Write-offs			(137)		(137)	(428)
<b>31 Dec</b>	<b>64,296</b>	<b>3,306</b>	<b>1,098</b>	<b>171</b>	<b>68,871</b>	<b>62,278</b>
<b>Impairment of loans and advances</b>						
<b>1 Jan</b>	<b>466</b>	<b>639</b>	<b>944</b>	<b>-</b>	<b>2,049</b>	<b>2,062</b>
<b>Transfers between stages</b>						
Additions concerning portfolio acquired						191
Transferred to stage 1	203	(137)	(66)			
Transferred to stage 2	(9)	126	(117)			
Transferred to stage 3	(1)	(65)	66			
New exposures	189	149	544		882	373
Redeemed exposures	(241)	(40)	(589)		(870)	(262)
Changes in balances	(125)	85	(94)		(134)	(79)
Write-offs			(97)		(97)	(236)
<b>31 Dec</b>	<b>482</b>	<b>757</b>	<b>591</b>		<b>1,830</b>	<b>2,049</b>
<b>Loans and advances after impairment charges</b>						
<b>1 Jan</b>	<b>56,155</b>	<b>2,801</b>	<b>972</b>	<b>301</b>	<b>60,229</b>	<b>60,554</b>
<b>Transfers between stages</b>						
Additions concerning portfolio acquired						4,115
Transferred to stage 1	744	(657)	(87)			
Transferred to stage 2	(875)	1,075	(200)			
Transferred to stage 3	(93)	(220)	313			
New exposures	16,448	415	43		16,906	13,913
Redeemed exposures	(10,161)	(641)	(280)		(11,082)	(12,037)
Changes in balances	1,596	(224)	(214)	(130)	1,028	(6,124)
Write-offs			(40)		(40)	(192)
<b>31 Dec</b>	<b>63,814</b>	<b>2,549</b>	<b>507</b>	<b>171</b>	<b>67,041</b>	<b>60,229</b>

# Notes

## Note 18 Loans and advances – continued

Sydbank Group

DKKm	2021				2020			
	Loans/advances neither credit impaired nor past due by rating category	Loans/advances with evidence of credit impairment	Past due loans/advances	Loans/advances	Loans/advances neither credit impaired nor past due by rating category	Loans/advances with evidence of credit impairment	Past due loans/advances	Loans/advances
<b>Rating category</b>								
1	8,772		6	8,778	7,619		11	7,630
2	25,304		4	25,308	22,332		32	22,364
3	20,212		0	20,212	16,771		41	16,812
4	16,568		10	16,578	15,624		15	15,639
5	4,640		0	4,640	6,047		10	6,057
6	2,238		52	2,290	1,823		4	1,827
7	393		0	393	577		1	578
8	221		11	232	394		0	394
9	181	1,319	17	1,517	31	2,729	5	2,765
Default	0	1,076	0	1,076	0	615	0	615
NR/STD	4,413	296	56	4,765	5,223	334	1	5,558
	82,942	2,691	156	85,789	76,441	3,678	120	80,239
Impairment charges	844	986		1,830	600	1,449		2,049
<b>Total</b>	<b>82,098</b>	<b>1,705</b>	<b>156</b>	<b>83,959</b>	<b>75,841</b>	<b>2,229</b>	<b>120</b>	<b>78,190</b>

Sydbank Group

DKKm	2021			2020		
	Gross investment	Unearned interest	Net investment	Gross investment	Unearned interest	Net investment
<b>Lease payment receivables – finance leases</b>						
1 year or less	2,389	75	2,314	2,089	72	2,017
Over 1 year not exceeding 5 years	4,624	157	4,467	4,186	150	4,036
Over 5 years	454	9	445	490	10	480
<b>Total</b>	<b>7,467</b>	<b>241</b>	<b>7,226</b>	<b>6,765</b>	<b>232</b>	<b>6,533</b>

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 7,226m at year-end 2021 (2020: DKK 6,533m). Impairment charges for uncollectible lease payment receivables represent DKK 0m in 2021 (2020: DKK 0m).

Note 18 Loans and advances – continued

Sydbank Group

DKKm	2021			2020		
	Loans/ advances and guarantees before impair- ment charges	Impairment charges	Book value	Loans/ advances and guarantees before impair- ment charges	Impairment charges	Book value
<b>Forborne loans and advances and guarantees</b>						
Stage 1	80	0	80	0	0	0
Stage 2	131	35	96	86	24	62
Stage 3	533	272	261	916	378	538
<b>Total</b>	<b>744</b>	<b>307</b>	<b>437</b>	<b>1,002</b>	<b>402</b>	<b>600</b>
Credit impaired non-defaulted loans and advances and guarantees	188	27	161	513	161	352
Credit impaired defaulted loans and advances and guarantees	556	280	276	489	241	248
<b>Total</b>	<b>744</b>	<b>307</b>	<b>437</b>	<b>1,002</b>	<b>402</b>	<b>600</b>
Due to financial difficulties:						
- Interest rates have been reduced	177	90	87	432	179	253
- Interest-only terms have been granted	85	40	45	243	87	156
- Other special terms have been granted	482	177	305	327	136	191
<b>Total</b>	<b>744</b>	<b>307</b>	<b>437</b>	<b>1,002</b>	<b>402</b>	<b>600</b>

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
<b>2021</b>					
<b>Credit impaired loans and advances</b>					
Corporate	1,095	489	606	421	185
Retail	174	102	72	57	15
<b>Total</b>	<b>1,269</b>	<b>591</b>	<b>678</b>	<b>478</b>	<b>200</b>
<b>2020</b>					
<b>Credit impaired loans and advances</b>					
Corporate	1,949	809	1,140	837	303
Retail	268	135	133	110	23
<b>Total</b>	<b>2,217</b>	<b>944</b>	<b>1,273</b>	<b>947</b>	<b>326</b>



# Notes

## Note 19 Bonds at fair value

DKKm	Sydbank Group		Sydbank A/S	
	2021	2020	2021	2020
Government bonds	359	286	359	286
Mortgage bonds	26,836	34,366	26,836	34,366
Other bonds	1,508	2,290	1,508	2,290
<b>Total</b>	<b>28,703</b>	<b>36,942</b>	<b>28,703</b>	<b>36,942</b>

## Government bonds – by country

Denmark	359	286	359	286
<b>Total</b>	<b>359</b>	<b>286</b>	<b>359</b>	<b>286</b>

## Note 20 Shares etc

Listed on Nasdaq Copenhagen A/S	552	296	552	296
Listed on other exchanges	2	2	2	2
Unlisted shares recognised at fair value	2,236	2,111	2,236	2,111
<b>Total</b>	<b>2,790</b>	<b>2,409</b>	<b>2,790</b>	<b>2,409</b>

Trading portfolio	198	147	198	147
Portfolio of equity investments, FVPL	2,183	2,117	2,183	2,117
Portfolio of equity investments, FVOCI	409	145	409	145
<b>Total</b>	<b>2,790</b>	<b>2,409</b>	<b>2,790</b>	<b>2,409</b>

## Note 21 Holdings in associates etc

Carrying amount at 1 Jan	173	147	173	147
Of which credit institutions	-	-	-	-

Cost at 1 Jan	172	143	172	143
Additions	2	29	2	29
<b>Cost at 31 Dec</b>	<b>174</b>	<b>172</b>	<b>174</b>	<b>172</b>

Revaluations and impairment charges at 1 Jan	1	4	1	4
Dividend	(8)	(11)	(8)	(11)
Share of profit	7	8	7	8
Revaluations and impairment charges at 31 Dec	0	1	0	1
<b>Carrying amount at 31 Dec</b>	<b>174</b>	<b>173</b>	<b>174</b>	<b>173</b>

**Note 22 Holdings in subsidiaries etc**
**Sydbank A/S**

DKKm	2021	2020
Carrying amount at 1 Jan	3,425	2,362
Cost at 1 Jan	4,454	2,761
Exchange rate adjustment	-	13
Additions	-	2,108
Disposals	2,069	428
<b>Cost at 31 Dec</b>	<b>2,385</b>	<b>4,454</b>
Revaluations and impairment charges at 1 Jan	(1,029)	(399)
Exchange rate adjustment	-	1
Profit/(Loss)	83	3
Dividend	(143)	(809)
Other capital movements	143	175
Reversal of revaluations and impairment charges	780	-
Revaluations and impairment charges at 31 Dec	(166)	(1,029)
<b>Carrying amount at 31 Dec</b>	<b>2,219</b>	<b>3,425</b>

**Note 23 Assets related to pooled plans**
**Sydbank Group**
**Sydbank A/S**

DKKm	2021	2020	2021	2020
Cash deposits	490	364	490	364
Indexed bonds	0	30	0	30
Other bonds	6,890	10,566	6,890	10,566
Other shares etc	14,801	8,094	14,801	8,094
Units	0	691	0	691
Other items	(1)	28	(1)	28
<b>Total</b>	<b>22,180</b>	<b>19,773</b>	<b>22,180</b>	<b>19,773</b>

# Notes

## Note 24 Intangible assets

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### 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 represented DKK 170m at year-end 2021 (2020: DKK 170m) and primarily concerns Banking. Goodwill is tested for impairment once a year.

The impairment test carried out in 2021 did not result in impairment of goodwill.

The value of customer relationships represented DKK 235m at year-end 2021 (2020: DKK 275m).

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 once a year 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.

The key assumptions are based on a forward projection of the Group's most recent results for 2021 as follows:

- Profit for the year in 2021 represents DKK 1.4bn
- Earnings for the budget period are based on a budget for 2022 as approved by management
- Equity for 2021 is affected by dividend paid for 2019 of DKK 340m as well as a share buyback of DKK 219m
- The risk exposure amount is based on the 2021 estimate
- The discount rate (cost of equity) has been calculated at 6.9%
- Annualised growth of 1.5% is expected in the terminal period.

Expected future cash flows are discounted at the Group's risk-adjusted required rate of return and discount factor which together constitute 8.8% before tax and 6.9% after tax at year-end 2021 (2020: 9.7% before tax and 7.6% after tax). The required rate of return and the discount factor are based on current market data and external benchmarks.

The impairment test conducted does not indicate any impairment at 31 December 2021.

An increase in the Group's risk-adjusted required rate of return from 6.9% to for instance 9.0% would not result in goodwill impairment. Correspondingly a decline in estimated growth in the terminal period of 1pp 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	
	2021	2020	2021	2020
Carrying amount at 1 Jan	445	239	445	239
Cost at 1 Jan	614	389	609	384
Additions	1	225	1	225
<b>Cost at 31 Dec</b>	<b>615</b>	<b>614</b>	<b>610</b>	<b>609</b>
Amortisation and impairment charges at 1 Jan	169	150	164	145
Amortisation and impairment charges for the year	41	19	41	19
Amortisation and impairment charges at 31 Dec	210	169	205	164
<b>Carrying amount at 31 Dec</b>	<b>405</b>	<b>445</b>	<b>405</b>	<b>445</b>

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

**Note 25 Owner-occupied property**

Carrying amount at 1 Jan	1,079	1,077	846	853
Exchange rate adjustment	0	0	0	0
Additions, including improvements	48	28	62	12
Disposals	10	9	10	9
Depreciation for the year	7	7	6	5
Value adjustment recognised directly in equity	28	(10)	27	(10)
Value adjustment recognised in the income statement	(7)	0	(14)	5
<b>Carrying amount at 31 Dec</b>	<b>1,131</b>	<b>1,079</b>	<b>905</b>	<b>846</b>
Required rate of return applied to calculate fair value (%)*	4.0-11.0	4.5-12.0	4.0-11.0	4.5-12.0

\* The required rate of return reflects eg the geographical location.

Sensitivity analysis: Other things being equal an increase of 0.5pp in the required rate of return will reduce fair value by DKK 81m (2020: DKK 73m).

# Notes

## Note 26 Other property, plant and equipment

DKKm	Sydbank Group		Sydbank A/S	
	2021	2020	2021	2020
Carrying amount at 1 Jan	70	61	70	61
Cost at 1 Jan	614	562	614	562
Exchange rate adjustment	0	0	0	0
Additions	41	76	41	75
Disposals	32	24	32	23
Cost at 31 Dec	623	614	623	614
Depreciation and impairment charges at 1 Jan	544	501	544	501
Exchange rate adjustment	0	0	0	0
Depreciation for the year	50	64	50	64
Reversal of depreciation and impairment charges	24	21	24	21
Depreciation and impairment charges at 31 Dec	570	544	570	544
<b>Carrying amount at 31 Dec</b>	<b>53</b>	<b>70</b>	<b>53</b>	<b>70</b>

## Note 27 Other assets

Positive market value of derivatives etc	3,399	4,762	3,399	4,762
Sundry debtors*	1,105	1,198	672	796
Interest and commission receivable	121	167	121	167
Cash collateral provided, CSA agreements etc	1,330	2,043	1,330	2,043
Other assets	0	0	0	0
<b>Total</b>	<b>5,955</b>	<b>8,170</b>	<b>5,522</b>	<b>7,768</b>

\* An amount of DKK 117m has been recognised as an expense concerning residual depreciation of the capital market platform, the joint development of which at Bankdata was completed in 2021.

## Note 28 Amounts owed to credit institutions and central banks

Amounts owed to central banks	5	13	5	13
Amounts owed to credit institutions	6,902	7,080	6,902	7,080
<b>Total</b>	<b>6,907</b>	<b>7,093</b>	<b>6,907</b>	<b>7,093</b>
On demand	2,266	1,916	2,266	1,916
3 months or less	4,641	5,177	4,641	5,177
<b>Total</b>	<b>6,907</b>	<b>7,093</b>	<b>6,907</b>	<b>7,093</b>
Of which repo transactions	2,790	2,483	2,790	2,483

**Note 29 Deposits and other debt**

DKKm	Sydbank Group		Sydbank A/S	
	2021	2020	2021	2020
On demand	85,717	87,338	87,960	90,585
At notice	144	252	144	252
Time deposits	3,877	3,732	3,877	3,731
Special categories of deposits	4,139	4,597	4,139	4,597
<b>Total</b>	<b>93,877</b>	<b>95,919</b>	<b>96,120</b>	<b>99,165</b>
On demand	86,005	87,633	88,248	90,879
3 months or less	4,367	4,361	4,367	4,361
Over 3 months not exceeding 1 year	83	84	83	84
Over 1 year not exceeding 5 years	438	432	438	432
Over 5 years	2,984	3,409	2,984	3,409
<b>Total</b>	<b>93,877</b>	<b>95,919</b>	<b>96,120</b>	<b>99,165</b>
Of which repo transactions	3,363	3,456	3,363	3,456
Of which secured lending	-	-	-	-

**Note 30 Bonds issued at amortised cost**

Over 3 months not exceeding 1 year	3,718	-	3,718	-
Over 1 year not exceeding 5 years	9,595	9,563	9,595	9,563
<b>Total</b>	<b>13,313</b>	<b>9,563</b>	<b>13,313</b>	<b>9,563</b>

**Note 31 Other liabilities**

Negative market value of derivatives etc	3,520	4,884	3,520	4,884
Sundry creditors	4,911	4,841	4,784	4,743
Negative portfolio, reverse transactions	7,317	7,941	7,317	7,941
Interest and commission etc	183	83	183	83
Cash collateral received, CSA agreements etc	516	716	516	716
<b>Total</b>	<b>16,447</b>	<b>18,465</b>	<b>16,320</b>	<b>18,367</b>

**Note 32 Provisions**

Provisions for pensions and similar obligations	3	6	3	6
Provisions for deferred tax	202	306	200	306
Provisions for guarantees*	112	161	112	161
Other provisions	49	56	49	56
<b>Total</b>	<b>366</b>	<b>529</b>	<b>364</b>	<b>529</b>

\* Provision for guarantees as regards the portfolio acquired from Alm. Brand Bank, which is recognised as credit impaired at initial recognition, totals DKK 16m.

# Notes

## Note 32 Provisions – continued

Sydbank Group

DKKm					2021
	Provisions for pensions and similar obligations	Provisions for deferred tax	Provisions for guarantees*	Other provisions	Total provisions
Carrying amount at 1 Jan	6	306	161	56	529
Additions	0	0	79	0	79
Disposals	3	104	128	7	242
<b>Carrying amount at 31 Dec</b>	<b>3</b>	<b>202</b>	<b>112</b>	<b>49</b>	<b>366</b>

\* Provision for guarantees as regards the portfolio acquired from Alm. Brand Bank, which is recognised as credit impaired at initial recognition, totals DKK 16m.

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

## Note 33 Subordinated capital

Sydbank Group

Sydbank A/S

DKKm				2021	2020	2021	2020
Interest rate	Note	Nominal (m)	Maturity				
2.125 (fixed)	1	Bond loan EUR 100	11 Mar 2027	744	743	744	743
1.297 (floating)	2	Bond loan EUR 75	2 Nov 2029	556	556	556	556
0.323 (floating)	3	Bond loan EUR 75	Perpetual	558	558	558	558
Total T2 capital				1,858	1,857	1,858	1,857
<b>Total subordinated capital</b>				<b>1,858</b>	<b>1,857</b>	<b>1,858</b>	<b>1,857</b>

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%.

3 months or less	744	-	744	-
Over 1 year not exceeding 5 years	556	1,299	556	1,299
Over 5 years	558	558	558	558
<b>Total</b>	<b>1,858</b>	<b>1,857</b>	<b>1,858</b>	<b>1,857</b>
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 – 2021	1,857	-	-	(1)	2	1,858
Subordinated capital – 2020	1,863	-	-	(7)	1	1,857

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	Sydbank Group		Sydbank A/S		
	DKKm	2021	2020	2021	2020
Nominal portfolio of own holdings		13	4	13	4
Nominal portfolio of own holdings as % of share capital		2.2	0.7	2.2	0.7
Shares outstanding (number)		58,384,311	59,286,316	58,384,311	59,286,316
Holding of own shares (number)		1,292,009	390,004	1,292,009	390,004
<b>Total share capital (number)</b>		<b>59,676,320</b>	<b>59,676,320</b>	<b>59,676,320</b>	<b>59,676,320</b>
<b>Own holdings purchased during the year</b>					
Number of shares		7,633,510	6,186,282	7,633,510	6,186,282
Nominal value		76	62	76	62
Consideration paid		1,437	749	1,437	749
Number of shares as % of share capital		12.8	10.4	12.8	10.4
<b>Own holdings sold during the year</b>					
Number of shares		6,731,505	8,247,739	6,731,505	8,247,739
Nominal value		67	82	67	82
Consideration received		1,239	746	1,239	746
Number of shares as % of share capital		11.3	13.8	11.3	13.8

Within the share buyback programme of DKK 250m, 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. On 1 October 2021 the Board of Directors decided to resume the share buyback programme. A share buyback totalling DKK 219m was made during the period from 4 October to 17 December 2021 and the share buyback programme was terminated on 17 December 2021. A total of 1,289,000 shares have been repurchased. 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	
	2021	2020	2021	2020
<b>Contingent liabilities</b>				
Financial guarantees	6,802	5,054	6,802	5,054
Mortgage finance guarantees*	5,329	5,135	5,329	5,135
Funded mortgage-like loan guarantees*	945	1,197	945	1,197
Registration and remortgaging guarantees*	4,797	6,157	4,797	6,157
Other contingent liabilities	1,849	1,934	1,849	1,934
<b>Total</b>	<b>19,722</b>	<b>19,477</b>	<b>19,722</b>	<b>19,477</b>

\* Comprised by IFRS 9.

### Other obligating agreements

Irrevocable credit commitments	867	1,369	867	1,369
Other liabilities*	7	8	67	75
<b>Total</b>	<b>874</b>	<b>1,377</b>	<b>934</b>	<b>1,444</b>

\* Of which intra-group liabilities in relation to rented premises

DKKm						Sydbank Group	
	Stage 1	Stage 2	Stage 3	Credit impaired at initial recognition	Total	Total	
<b>Guarantees</b>							
<b>1 Jan</b>	<b>18,692</b>	<b>518</b>	<b>184</b>	<b>83</b>	<b>19,477</b>	<b>20,060</b>	
<b>Transfers between stages</b>							
Additions concerning portfolio acquired						3,157	
Transferred to stage 1	131	(123)	(8)				
Transferred to stage 2	(127)	151	(24)				
Transferred to stage 3	(15)	(35)	50				
New exposures	12,475	175	26		12,676	6,405	
Redeemed exposures	(8,704)	(221)	(75)	(16)	(9,016)	(12,646)	
Changes in balances	(3,424)	25	(16)		(3,415)	2,501	
<b>31 Dec</b>	<b>19,028</b>	<b>490</b>	<b>137</b>	<b>67</b>	<b>19,722</b>	<b>19,477</b>	

### Provisions for guarantees

<b>1 Jan</b>	<b>14</b>	<b>24</b>	<b>87</b>	<b>-</b>	<b>125</b>	<b>140</b>
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### Transfers between stages

Additions concerning portfolio acquired						5
Transferred to stage 1	6	(5)	(1)			
Transferred to stage 2	0	10	(10)			
Transferred to stage 3	0	(3)	3			
New exposures	11	11	3		25	7
Redeemed exposures	(9)	(9)	(9)		(27)	(29)
Changes in balances	(7)	2	(22)		(27)	2
<b>31 Dec</b>	<b>15</b>	<b>30</b>	<b>51</b>	<b>-</b>	<b>96</b>	<b>125</b>

Rating category/DKKm	1	2	3	4	5	6	7	8	9	Default	Total
<b>Irrevocable credit commitments</b>											
2021	2	395	81	351	38	0	0	0	-	-	<b>867</b>
2020	6	282	507	563	0	0	0	11	-	-	<b>1,369</b>

### Note 35 Contingent liabilities and other obligating agreements – continued

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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 is 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 6.6% 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 A/S 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)

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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 Bank 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 the 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 represented DKK 22m at 31 December 2021 (2020: DKK 60m under "Other liabilities").

During the year a net gain on hedging transactions of DKK 54m was recorded (2020: net gain of DKK 14m). 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 122.

# Notes

Note 36 Fair value hedging of interest rate risks (macro hedge) – continued	Sydbank Group		Sydbank A/S		
	DKKm	2021	2020	2021	2020
<b>Fixed-rate loans and advances</b>					
Carrying amount		3,472	3,047	3,472	3,047
<b>Swaps</b>					
Principal		7,012	6,238	7,012	6,238
Fair value		(5)	(52)	(5)	(52)
<b>Fixed-rate subordinated capital/bonds issued/AT1 capital</b>					
Carrying amount		14,468	10,708	14,468	10,708
<b>Swaps</b>					
Principal		14,373	10,627	14,373	10,627
Fair value		135	178	135	178

The Group's fair value hedging of interest rate risks (macro hedge) is described in more detail in note 39 on page 106.

## Note 37 Collateral

At the end of 2021 the Group had deposited as collateral securities and cash at a total value of DKK 187m 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 1,330m and deposited as collateral securities at a market value of DKK 70m. 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".

DKKm	Sydbank Group		Sydbank A/S	
	2021	2020	2021	2020
<b>Assets sold as part of repo transactions</b>				
Bonds at fair value	6,139	5,930	6,139	5,930
<b>Assets purchased as part of reverse transactions</b>				
Bonds at fair value	19,923	21,029	19,923	21,029

### Note 38 Related parties

### Sydbank Group

DKKm	2021			2020		
	Associates	Board of Directors	Group Executive Management	Associates	Board of Directors	Group Executive Management
Loans and advances and loan commitments	0	11	0	0	11	2
Deposits and other debt	18	10	4	164	10	8
Guarantees issued	0	0	0	0	0	0
Collateral received	0	3	0	0	3	1
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	601	0	0	563	0	0

#### Interest rates 2021

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 2021.

#### Amounts owed by and to subsidiaries etc

#### Sydbank Group

#### Sydbank A/S

DKKm	2021	2020	2021	2020
Amounts owed by credit institutions and central banks	-	-	-	-
Loans and advances at amortised cost	-	-	499	1,354
<b>Total asset items</b>	-	-	<b>499</b>	<b>1,354</b>
Amounts owed to credit institutions	-	-	-	-
Deposits and other debt	-	-	2,244	3,246
<b>Total liability items</b>	-	-	<b>2,244</b>	<b>3,246</b>

# Notes

## Note 38 Related parties – continued

Sydbank Group

Number					31 Dec 2021
	1 Jan 2021	On appointment/ resignation	Additions	Disposals	
<b>Sydbank A/S shares held by</b>					
<b>Board of Directors (personal holdings)</b>					
Lars Mikkellaard-Jensen (Chairman)	5,000				5,000
Jacob Chr. Nielsen (Vice-Chairman)	77		837		914
Carsten Andersen	1,684			150	1,534
Henrik Hoffmann	750				750
Søren Holm	1,000		1,000		2,000
Kim Holmer	1,819				1,819
Janne Moltke-Leth	222				222
Jarl Oxlund	1,692				1,692
Gitte Poulsen	5,330				5,330
Susanne Schou	110				110
Jon Stefansson	389				389
Jørn Krogh Sørensen	3,714			388	3,326
<b>Total</b>	<b>21,787</b>	<b>-</b>	<b>1,837</b>	<b>538</b>	<b>23,086</b>
<b>Board of Directors (own holdings and holdings of dependants)</b>					
Lars Mikkellaard-Jensen (Chairman)	5,000				5,000
Jacob Chr. Nielsen (Vice-Chairman)	77		837		914
Carsten Andersen	1,684			150	1,534
Henrik Hoffmann	750				750
Søren Holm	1,000		1,000		2,000
Kim Holmer	1,919				1,919
Janne Moltke-Leth	222				222
Jarl Oxlund	1,692				1,692
Gitte Poulsen	5,330				5,330
Susanne Schou	420				420
Jon Stefansson	389				389
Jørn Krogh Sørensen	3,714			388	3,326
<b>Total</b>	<b>22,197</b>	<b>-</b>	<b>1,837</b>	<b>538</b>	<b>23,496</b>
<b>Group Executive Management (own holdings and holdings of dependants)</b>					
Karen Frøsig	7,153		750		7,903
Bjarne Larsen	6,494		750		7,244
Jørn Adam Møller	6,051		750		6,801
Henning Dam (resigned from Group Executive Management on 8 December 2021)	1,644	(2,394)	750		-
<b>Total</b>	<b>21,342</b>	<b>(2,394)</b>	<b>3,000</b>	<b>-</b>	<b>21,948</b>
<b>Total</b>	<b>43,539</b>	<b>(2,394)</b>	<b>4,837</b>	<b>538</b>	<b>45,444</b>



# 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	
	FVPL	Fair value option	FVOCI	Total fair value	2021 Amortised cost
<b>Financial assets</b>					
Cash and balances on demand at central banks				-	5,513
Amounts owed by credit institutions and central banks	2,932			2,932	13,866
Loans and advances at fair value	16,918			16,918	-
Loans and advances at amortised cost				-	67,041
Bonds at fair value listed as level 1	28,703			28,703	-
Shares etc	2,381		409	2,790	-
Assets related to pooled plans		22,180		22,180	-
Land and buildings			1,236	1,236	-
Other assets	3,451			3,451	1,399
<b>Total</b>	<b>54,385</b>	<b>22,180</b>	<b>1,645</b>	<b>78,210</b>	<b>87,819</b>
Undrawn credit commitments				-	53,320
<b>Maximum credit risk, collateral not considered</b>	<b>54,385</b>	<b>22,180</b>	<b>1,645</b>	<b>78,210</b>	<b>141,139</b>
<b>Financial liabilities</b>					
Amounts owed to credit institutions and central banks	2,790			2,790	4,117
Deposits and other debt	3,363			3,363	90,514
Deposits in pooled plans		22,180		22,180	-
Bonds issued at amortised cost				-	13,313
Other liabilities	10,831			10,831	594
Subordinated capital				-	1,858
<b>Total</b>	<b>16,984</b>	<b>22,180</b>	<b>-</b>	<b>39,164</b>	<b>110,396</b>

## Note 39 Fair value disclosure – continued

DKKm					Sydbank Group	
	FVPL	Fair value option	FVOCI	Total fair value	2020 Amortised cost	
<b>Financial assets</b>						
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 listed as level 1	36,942			36,942	-	
Shares etc	2,264		145	2,409	-	
Assets related to pooled plans		19,773		19,773	-	
Land and buildings			1,180	1,180	-	
Other assets	4,862			4,862	2,110	
<b>Total</b>	<b>64,864</b>	<b>19,773</b>	<b>1,325</b>	<b>85,962</b>	<b>76,738</b>	
Undrawn credit commitments				-	51,967	
<b>Maximum credit risk, collateral not considered</b>	<b>64,864</b>	<b>19,773</b>	<b>1,325</b>	<b>85,962</b>	<b>128,705</b>	
<b>Financial liabilities</b>						
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	
<b>Total</b>	<b>18,767</b>	<b>19,773</b>	<b>-</b>	<b>38,540</b>	<b>109,290</b>	

### 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 340m of the calculated price.



# Notes

## Note 39 Fair value disclosure – continued

Sydbank Group

DKKm	Quoted prices	Observable inputs	Unobservable inputs	Total fair value
<b>2021</b>				
<b>Financial assets</b>				
Amounts owed by credit institutions and central banks		2,932		2,932
Loans and advances at fair value		16,918		16,918
Bonds at fair value listed as level 1		28,703		28,703
Shares etc	554	53	2,183	2,790
Assets related to pooled plans	14,802	7,378		22,180
Land and buildings			1,236	1,236
Other assets	197	3,254		3,451
<b>Total</b>	<b>15,553</b>	<b>59,238</b>	<b>3,419</b>	<b>78,210</b>
<b>Financial liabilities</b>				
Amounts owed to credit institutions and central banks		2,790		2,790
Deposits and other debt		3,363		3,363
Deposits in pooled plans		22,180		22,180
Other liabilities	214	10,617		10,831
<b>Total</b>	<b>214</b>	<b>38,950</b>	<b>-</b>	<b>39,164</b>
<b>2020</b>				
<b>Financial assets</b>				
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 listed as level 1		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
<b>Total</b>	<b>9,525</b>	<b>73,165</b>	<b>3,272</b>	<b>85,962</b>
<b>Financial liabilities</b>				
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
<b>Total</b>	<b>403</b>	<b>38,137</b>	<b>-</b>	<b>38,540</b>

Note 39 Fair value disclosure – continued

Sydbank Group

DKKm	2021	2020
<b>Assets measured on the basis of unobservable inputs</b>		
Carrying amount at 1 Jan	2,092	1,863
Additions	60	157
Disposals	113	46
Market value adjustment	144	118
<b>Value at 31 Dec</b>	<b>2,183</b>	<b>2,092</b>
<b>Recognised in profit for the year</b>		
Interest income	-	-
Dividend	17	18
Market value adjustment	145	117
<b>Total</b>	<b>162</b>	<b>135</b>

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 2021 CVA constituted DKK 19m compared to DKK 19m at year-end 2020.

**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. 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 2021 in all material respects.

DKKm	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Bonds issued at amortised cost	13,313	13,378	9,563	9,648
Subordinated capital	1,858	1,741	1,857	1,750

# 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
<b>2021</b>					
Amounts owed to credit institutions and central banks	2,265	4,642	-	-	-
Deposits and other debt	86,005	4,367	83	438	2,984
Bonds issued at amortised cost	-	-	3,718	9,595	-
Subordinated capital	-	744	-	556	558
<b>Total</b>	<b>88,270</b>	<b>9,753</b>	<b>3,801</b>	<b>10,589</b>	<b>3,542</b>
Contingent liabilities (guarantees)	7,751	5,415	1,766	980	3,810
<b>2020</b>					
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
<b>Total</b>	<b>89,549</b>	<b>9,538</b>	<b>84</b>	<b>11,294</b>	<b>3,967</b>
Contingent liabilities (guarantees)	9,205	5,424	1,187	535	3,126

Amounts are exclusive of interest.

## Note 41 Activity per country

Sydbank Group

DKKm					
	Turnover	Number of employees	Profit before tax	Tax	Public subsidies received
<b>2021</b>					
Denmark, banking and leasing	4,810	2,011	1,716	334	0
Germany, banking	202	66	48	19	0
<b>Total</b>	<b>5,012</b>	<b>2,077</b>	<b>1,764</b>	<b>353</b>	<b>0</b>
<b>2020</b>					
Denmark, banking and leasing	4,144	2,220	1,015	223	0
Germany, banking	177	66	6	1	0
Switzerland, liquidated	-	-	0	(2)	0
<b>Total</b>	<b>4,321</b>	<b>2,286</b>	<b>1,021</b>	<b>222</b>	<b>0</b>

Turnover is defined as interest income, fee and commission income and other operating income.

**Note 42 Financial highlights**
**Sydbank Group**

	2021	2020	2019	2018	2017*
<b>Income statement highlights (DKK m)</b>					
Net interest and fee income	4,252	3,557	3,602	3,725	3,856
Market value adjustments	474	340	226	335	727
Staff costs and administrative expenses	3,237	2,724	2,729	2,666	2,537
Impairment of loans and advances etc	(415)	48	(90)	(114)	(45)
Profit/(Loss) on holdings in associates etc	7	8	5	8	(7)
Profit for the year**	1,411	799	853	1,161	1,531
<b>Balance sheet highlights (DKK bn)</b>					
Loans and advances	84.0	78.2	73.2	67.5	69.6
Total equity	13.2	12.5	11.8	11.7	11.9
Total assets	168.2	165.8	147.7	140.5	138.5
<b>Financial ratios per share (DKK per share of DKK 10)</b>					
EPS	23.2	12.7	13.5	17.8	22.5
Book value	212.6	197.6	184.9	179.0	178.3
Dividend	12.00	4.00	-	9.36	11.31
Share price/EPS	8.9	10.6	10.4	8.7	11.1
Share price/book value	0.97	0.68	0.76	0.87	1.40
<b>Other financial ratios and key figures</b>					
Capital ratio	22.8	24.0	22.9	22.4	20.8
T1 capital ratio	19.3	20.4	19.4	19.0	17.7
Pre-tax profit as % of average equity	14.2	8.6	9.5	12.2	16.5
Post-tax profit as % of average equity	11.3	6.7	7.5	10.0	12.9
Income/cost ratio (DKK)	1.59	1.35	1.39	1.51	1.74
Interest rate risk	1.6	1.6	1.6	1.3	0.8
Foreign exchange position	1.1	1.2	1.6	1.3	1.2
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	0.7
Loans and advances relative to equity	6.7	6.7	6.7	6.2	5.8
Growth in loans and advances for the year	11.3	(0.5)	(0.7)	(5.2)	(16.7)
Liquidity, LCR (%)	200	210	174	184	176
Total large exposures	140	149	143	147	131
Impairment ratio for the year	(0.4)	0.0	(0.1)	(0.1)	(0.1)
Return on assets (%)	0.84	0.51	0.59	0.83	1.07

\* 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

	2021	2020	2019	2018	2017*
<b>Income statement highlights (DKKm)</b>					
Net interest and fee income	4,149	3,427	3,519	3,639	3,789
Market value adjustments	593	348	236	286	727
Staff costs and administrative expenses	3,179	2,632	2,666	2,611	2,482
Impairment of loans and advances etc	(415)	48	(90)	(114)	(45)
Profit/(Loss) on holdings in associates etc	7	11	0	22	(26)
Profit for the year	1,494	802	861	1,123	1,531
<b>Balance sheet highlights (DKKbn)</b>					
Loans and advances	84.5	79.4	73.6	67.7	69.8
Total equity	13.2	12.5	11.7	11.7	11.9
Total assets	170.3	168.8	150.0	142.9	140.8
<b>Financial ratios per share (DKK per share of DKK 10)</b>					
EPS	24.7	12.9	13.7	17.2	22.5
Book value	212.6	197.6	184.9	179.0	178.3
Dividend	12.00	4.00	-	9.36	11.31
Share price/EPS	8.4	10.5	10.2	9.0	11.1
Share price/book value	1.00	0.68	0.76	0.87	1.40
<b>Other financial ratios and key figures</b>					
Capital ratio	22.0	22.7	22.0	21.5	20.1
T1 capital ratio	18.6	19.4	18.6	18.4	17.2
Pre-tax profit as % of average equity	15.0	8.5	9.5	11.7	16.4
Post-tax profit as % of average equity	12.1	6.7	7.5	9.6	12.9
Income/cost ratio (DKK)	1.63	1.36	1.39	1.52	1.76
Interest rate risk	1.6	1.5	1.6	1.3	0.8
Foreign exchange position	1.1	1.2	1.6	1.3	1.2
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	0.7
Loans and advances relative to equity	6.8	6.8	6.7	6.2	5.8
Growth in loans and advances for the year	9.9	0.7	(0.3)	(5.2)	(16.6)
Liquidity, LCR (%)	200	210	174	184	176
Total large exposures	140	149	143	147	131
Impairment ratio for the year	(0.4)	0.0	(0.1)	(0.1)	(0.1)
Return on assets (%)	0.83	0.50	0.59	0.79	1.06

\* 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

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 2021	Activity	Share capital (m)	Equity (DKK m)	Profit/ (Loss) (DKK m)	Ownership share (%)	
<b>Sydbank A/S</b>		597				
<b>Consolidated subsidiaries</b>						
	Syd ABB A/S, Aabenraa under voluntary liquidation	Invt & admin.	21	97	(2)	100
	Ejendomsselskabet af 1. juni 1986 A/S, Aabenraa	Real property	11	26	13	100
	Syd Administration A/S, Aabenraa	Invt & admin.	300	2,017	(13)	100
	Syd Fund Management A/S, Aabenraa	Administration	100	126	26	67
<b>Held for sale</b>						
	Green Team Group A/S, Sønder Omme	Wholesale	101	25	(4)	100
<b>Holdings in associates</b>						
	Foreningen Bankdata, Fredericia*	IT	472	465	(11)	36
	Komplementarselskabet Core Property Management A/S, Copenhagen*	Real property	1	2	1	20
	Core Property Management P/S, Copenhagen*	Real property	5	58	34	20

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

#### Note 45 Large shareholders

Silchester International Investors LLP, London, owns more than 5% 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	
	2021	2020	2021	2020
The Group's profit and equity according to IFRS	1,411	799	13,212	12,506
Value adjustment of certain strategic shares	119	11	-	-
Tax on value adjustment of certain strategic shares	(27)	(2)	-	-
<b>Group profit and equity according to the Danish FSA accounting rules</b>	<b>1,503</b>	<b>808</b>	<b>13,212</b>	<b>12,506</b>

# Notes

## Note 47 Acquisition of subsidiaries

### Acquisitions in 2021

No acquisitions in 2021.

### Acquisitions in 2020

The assets and liabilities acquired can be broken down as follows at the acquisition date:

#### Statement of fair value

DKKm	30 November 2020
<b>Assets</b>	
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
<b>Total assets</b>	<b>13,011</b>
<b>Liabilities</b>	
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
<b>Total liabilities</b>	<b>11,114</b>
Net assets acquired	1,897
Purchase price	1,897
<b>Goodwill</b>	<b>0</b>
<b>Contingent liabilities</b>	
Guarantees	3,273

In 2020 Sydbank acquired 100% of the share capital in Alm. Brand Bank A/S. The acquisition was finalised on 30 November 2020.

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

## Note 47 Acquisition of subsidiaries – continued

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On 10 December 2020 Sydbank requested the Danish FSA to revoke Alm. Brand Bank's banking license 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 license 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 focus 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 totals DKK 1,897m, which has been paid in cash.

The acquisition comprises approx 55,000 NemKonto (Easy Account) customers, bank loans and advances totalling DKK 4.2bn and arranged mortgage loans from Totalkredit 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.

### Calculation of fair values

In connection with the acquisition of Alm. Brand Bank A/S, Sydbank has determined identifiable assets and liabilities 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 the 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 input from 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 on 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.



## 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.
Growth 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 2021	Total 2020
<b>Nominal values</b>						
Foreign exchange contracts:						
Spot, bought	390	-	-	-	390	493
Spot, sold	521	-	-	-	521	661
Forwards/futures, bought	0	1,686	1,000	0	2,686	2,087
Forwards/futures, sold	0	1,479	919	0	2,398	2,867
Swaps	33	0	1,594	136	1,763	1,882
Options, acquired	1,447	667	14	0	2,128	2,156
Options, written	1,107	412	7	0	1,526	2,042
Interest rate contracts:						
Spot, bought	5,092	-	-	-	5,092	3,473
Spot, sold	4,626	-	-	-	4,626	6,035
Forwards/futures, bought	5,287	0	0	0	5,287	6,038
Forwards/futures, sold	3,300	0	0	0	3,300	3,248
Forward rate agreements, bought	0	0	0	0	0	0
Forward rate agreements, sold	0	0	0	0	0	0
Swaps	10,980	19,375	114,157	21,346	165,858	131,491
Options, acquired	266	12	260	0	538	3,475
Options, written	149	7	521	0	677	3,029
Equity contracts:						
Spot, bought	428	-	-	-	428	385
Spot, sold	457	-	-	-	457	424
Forwards/futures, bought	0	0	0	0	0	0
Forwards/futures, sold	0	0	0	0	0	0
Options, acquired	304	0	0	0	304	0
Options, written	304	0	0	0	304	0
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 2021	Total 2020
<b>Net market values</b>						
Foreign exchange contracts:						
Spot, bought	0	-	-	-	0	(2)
Spot, sold	1	-	-	-	1	0
Forwards/futures, bought	(7)	15	26	0	34	(223)
Forwards/futures, sold	(7)	(26)	(19)	0	(52)	267
Swaps	2	0	57	13	72	40
Options, acquired	10	8	0	0	18	25
Options, written	(12)	(9)	0	0	(21)	(11)
Interest rate contracts:						
Spot, bought	(8)	-	-	-	(8)	3
Spot, sold	9	-	-	-	9	(3)
Forwards/futures, bought	9	0	0	0	9	33
Forwards/futures, sold	(3)	0	0	0	(3)	(4)
Forward rate agreements, bought	0	0	0	0	0	0
Forward rate agreements, sold	0	0	0	0	0	0
Swaps	41	(16)	(114)	(96)	(185)	(314)
Options, acquired	0	0	4	3	7	70
Options, written	0	0	0	(4)	(4)	1
Equity contracts:						
Spot, bought	(1)	-	-	-	(1)	(2)
Spot, sold	2	-	-	-	2	1
Forwards/futures, bought	1	0	0	0	1	0
Forwards/futures, sold	(1)	0	0	0	(1)	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
<b>Total net market values</b>					<b>(122)</b>	<b>(122)</b>

## Notes – Derivatives

DKKm	Total contracts 2021*			Total contracts 2020*		
	Positive	Negative	Net	Positive	Negative	Net
<b>Market values</b>						
Foreign exchange contracts:						
Spot, bought	1	(1)	0	1	(2)	(2)
Spot, sold	1	0	1	2	(3)	0
Forwards/futures, bought	111	(77)	34	82	(305)	(223)
Forwards/futures, sold	71	(123)	(52)	346	(79)	267
Swaps	84	(12)	72	49	(9)	40
Options, acquired	18	0	18	25	0	25
Options, written	0	(21)	(21)	0	(11)	(11)
Interest rate contracts:						
Spot, bought	1	(9)	(8)	4	(2)	3
Spot, sold	10	(1)	9	2	(5)	(3)
Forwards/futures, bought	16	(7)	9	35	(2)	33
Forwards/futures, sold	3	(6)	(3)	2	(6)	(4)
Forward rate agreements, bought	0	0	0	0	0	0
Forward rate agreements, sold	0	0	0	0	0	0
Swaps	3,062	(3,247)	(185)	4,131	(4,445)	(314)
Options, acquired	7	0	7	70	0	70
Options, written	1	(5)	(4)	1	0	1
Equity contracts:						
Spot, bought	5	(6)	(1)	5	(7)	(2)
Spot, sold	6	(4)	2	6	(5)	1
Forwards/futures, bought	1	0	1	0	0	0
Forwards/futures, sold	0	(1)	(1)	0	0	0
Options, acquired	0	0	0	1	0	1
Options, written	0	0	0	0	(1)	(2)
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
<b>Total market values</b>	<b>3,398</b>	<b>(3,520)</b>	<b>(122)</b>	<b>4,762</b>	<b>(4,884)</b>	<b>(122)</b>

\* All contracts are non-guaranteed.

DKKm	Total contracts 2021*			Total contracts 2020*		
	Positive	Negative	Net	Positive	Negative	Net
<b>Average market values</b>						
Foreign exchange contracts:						
Spot, bought	8	(5)	3	1	(3)	(1)
Spot, sold	2	(6)	(4)	7	(9)	(1)
Forwards/futures, bought	153	(101)	52	180	(148)	32
Forwards/futures, sold	121	(140)	(19)	200	(148)	51
Swaps	70	(8)	62	45	(9)	36
Options, acquired	19	0	19	28	0	28
Options, written	0	(15)	(15)	0	(19)	(18)
Interest rate contracts:						
Spot, bought	5	(5)	0	6	(10)	(4)
Spot, sold	6	(4)	2	10	(5)	5
Forwards/futures, bought	20	(36)	(16)	47	(9)	38
Forwards/futures, sold	11	(6)	5	3	(16)	(14)
Forward rate agreements, bought	0	0	0	0	0	0
Forward rate agreements, sold	0	0	0	0	0	0
Swaps	3,436	(3,694)	(258)	4,463	(4,809)	(346)
Options, acquired	16	0	16	110	0	110
Options, written	1	(2)	(1)	2	(76)	(74)
Equity contracts:						
Spot, bought	9	(10)	(1)	9	(12)	(3)
Spot, sold	10	(7)	3	12	(8)	4
Forwards/futures, bought	0	(1)	(1)	1	(2)	(1)
Forwards/futures, sold	1	0	1	1	(1)	1
Options, acquired	1	0	1	2	0	2
Options, written	0	(1)	(1)	0	(2)	(2)
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
<b>Total average market values</b>	<b>3,889</b>	<b>(4,041)</b>	<b>(152)</b>	<b>5,127</b>	<b>(5,285)</b>	<b>(158)</b>

\* Average market value calculations are based on monthly statements.

DKKm	Market values		Collateral		Exposure by counterparty	
	Positive	Negative	Provided	Received	Amount due	Amount owed
<b>2021</b>						
Exposure						
Counterparties with CSA agreements	2,709	3,283	1,176	515	141	54
Counterparties without CSA agreements	689	237	-	-	639	187
<b>Total</b>	<b>3,398</b>	<b>3,520</b>	<b>1,176</b>	<b>515</b>	<b>780</b>	<b>241</b>
<b>2020</b>						
Exposure						
Counterparties with CSA agreements	3,681	4,601	1,727	716	201	109
Counterparties without CSA agreements	1,081	283	-	-	1,021	223
<b>Total</b>	<b>4,762</b>	<b>4,884</b>	<b>1,727</b>	<b>716</b>	<b>1,222</b>	<b>332</b>

# 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, leverage 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 insurance and IT Service & Information Security 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.

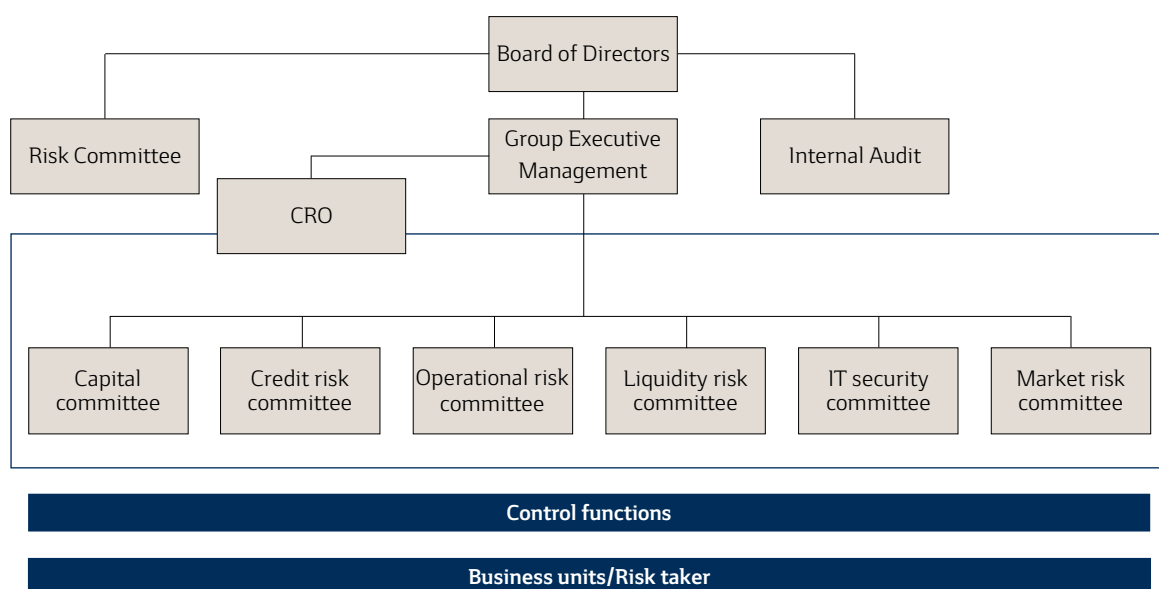
Risk management is supported by the Group's risk organisation, see the chart below.

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 2021 together with the Group's 2021 financial statements, Credit Risk 2021, the Group's Internal Liquidity Adequacy Assessment Process (ILAAP) at 31 December 2021 and the Group's Internal Capital Adequacy Assessment Process (ICAAP) at 31 December 2021 constitute the main elements of Risk Committee and Audit Committee meetings as well as board meetings at the beginning of 2022. On the basis of the discussions at these meetings the Board of Directors will subsequently update the Group's policies and guidelines.



## Credit risk

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### 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 monitored, 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.



# Notes – Risk Management

## Credit risk – continued

### 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.

### 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	2021	2020
Loans and advances at fair value	16,918	17,961
Loans and advances at amortised cost	67,041	60,229
Guarantees	19,722	19,477
<b>Credit exposure for accounting purposes</b>	<b>103,681</b>	<b>97,667</b>
Collateral value	64,311	65,900
<b>Total unsecured</b>	<b>39,370</b>	<b>31,767</b>

### Types of collateral

Real property	11,793	10,906
Financial collateral	22,833	23,207
Lease assets, mortgages etc	6,973	9,283
Floating charges, operating equipment etc	9,092	8,132
Guarantees	1,936	1,286
Other items of collateral	624	560
<b>Total collateral used</b>	<b>53,251</b>	<b>53,374</b>
Particularly secured transactions (mortgage guarantees)	11,060	12,526
<b>Total</b>	<b>64,311</b>	<b>65,900</b>

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 2021 repossessed equipment in connection with non-performing exposures amounted to DKK 23m (2020: DKK 21m). 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 represents DKK 64,311m – a drop of DKK 1,589m compared to 2020. The decline is predominantly attributable to a decrease of DKK 1,466m in particularly secured transactions (mortgage guarantees) due to lower remortgaging activity in 2021.

## Credit risk – continued

Mortgages on real property have gone up by DKK 887m from DKK 10,906m in 2020 to DKK 11,793m in 2021. The increase is primarily attributable to the rise in arranged mortgage loans.

Financial collateral has decreased by DKK 374m from DKK 23,207m in 2020 to DKK 22,833m in 2021, which is primarily attributable to the drop in loans and advances at fair value which have gone down by DKK 1,043m.

Loans and advances at fair value are repo loans and advances with financial collateral.

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 guarantees. Excess collateral is not included in the calculation of collateral. 62.0% (2020: 67.5%) of the Group's loans and advances and guarantees after impairment charges is covered via collateral.

### Collateral by rating category

DKKm				2021
Rating category	Loans/advances	Guarantees	Collateral value	Unsecured
1	8,778	6,781	14,609	950
2	25,308	4,385	14,873	14,820
3	20,212	3,144	12,329	11,027
4	16,578	1,454	11,235	6,797
5	4,640	947	3,067	2,520
6	2,290	355	1,343	1,302
7	393	56	236	213
8	232	31	140	123
9	1,517	179	817	879
Default	1,076	133	777	432
NR/STD	4,765	2,257	4,885	2,137
<b>Total</b>	<b>85,789</b>	<b>19,722</b>	<b>64,311</b>	<b>41,200</b>
Impairment of loans and advances	1,830	-	-	1,830
<b>Total</b>	<b>83,959</b>	<b>19,722</b>	<b>64,311</b>	<b>39,370</b>

### 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<sup>®</sup>, which aims to reduce delivery risk. In CLS<sup>®</sup> 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 1pp in all currencies and at 31 December 2021 it represents DKK 173m 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 2021	Total 2020
DKK	66	(17)	25	51	125	176
EUR	17	(3)	14	11	39	(14)
EUR/DKK	83	(20)	39	62	164	162
Other	0	4	2	3	9	9
<b>Total 2021</b>	<b>83</b>	<b>(16)</b>	<b>41</b>	<b>65</b>	<b>173</b>	
<b>Total 2020</b>	<b>100</b>	<b>(1)</b>	<b>17</b>	<b>55</b>		<b>171</b>

The Group's interest rate risk is predominantly attributable to positions in EUR and DKK. The Group has no significant interest rate risk apart from EUR/DKK.

The Group's interest rate risk is – in line with 2020 – 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 2021 is attributable to the Group's positions in Treasury.

### Interest rate risk – Sydbank Markets and Treasury

DKKm	2021			2020		
	Sydbank Markets	Treasury	Total	Sydbank Markets	Treasury	Total
DKK	46	79	125	81	95	176
EUR	18	21	39	(22)	8	(14)
EUR/DKK	64	100	164	59	103	162
Other	5	4	9	6	3	9
<b>Total</b>	<b>69</b>	<b>104</b>	<b>173</b>	<b>65</b>	<b>106</b>	<b>171</b>

### 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 235m at 31 December 2021 and is included when determining the solvency need.

### Credit spread risk by bond type

DKKm	2021	2020
Mortgage credit	182	216
Government	10	8
Other	43	53
<b>Total</b>	<b>235</b>	<b>277</b>

### Equity risk

The Group's portfolio of shares and holdings in associates represents DKK 2,964m at 31 December 2021 (2020: DKK 2,582m), including equity investments totalling DKK 2,766m (2020: DKK 2,409m).

In the event of a 10% change in share prices, profit before tax will be affected by DKK 255m (2020: DKK 244m) as well as other comprehensive income by DKK 41m (2020: DKK 15m). Equity investments represent DKK 236m (2020: DKK 226m) and DKK 41m (2020: DKK 15m) respectively.

### Foreign exchange risk

As in previous years the Group's foreign exchange risk was insignificant in 2021 and consequently a 10% change in exchange rates against DKK at 31 December 2021 will not affect profit before tax significantly.

### Other market risks

The Group does not have any other significant market risks at 31 December 2021.

# 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).
- Net Stable Funding Ratio (NFSR).
- 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)	2021	2020
Total liquidity buffer	50.4	51.3
Net cash outflows	25.2	24.4
LCR (%)	200	210

The Group has met the regulatory LCR requirement of 100% throughout the year and its excess cover is significant at 31 December 2021.

Funding ratio (DKKbn)	2021	2020
Equity and subordinated capital	15.1	14.4
SNP loans with maturities over 1 year	9.6	9.6
Stable deposits	85.5	87.6
Total stable funding	110.2	111.6
Loans and advances (excl reverse)	67.0	60.2
Funding ratio (%)	164	185

As shown above the Group's stable funding exceeded the Group's loans and advances by DKK 43.2bn at 31 December 2021 (2020: DKK 51.4bn).

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

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- 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 SNP 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. On 10 November 2021 an additional issue was made: EUR 500m (DKK 3.7bn) with a maturity of 5 years.

With these issues the Group complies with the MREL requirement as determined by the Danish FSA.

# Notes – Risk Management

## Operational risk

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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 2021 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 uses the Standardised Approach to calculate the capital requirement in accordance with CRR.

## IT security

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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.

The Board of Directors specifies and formulates requirements as regards IT risk management in the IT risk management policy, the IT security policy and the 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 process and the systems used by the processes are assessed in terms of probability, maturity of preventive and corrective administrative and technical measures as well as implications.

All policies are reviewed and updated annually by the Board of Directors.

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 risk management policy, the IT security policy as well as the IT contingency policy apply to all aspects of the Group'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 the IT security processes.

Contingency exercises are performed on a regular basis in the sector, with suppliers as well as with internal parties, to ensure that the Bank is as well prepared as possible for the 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

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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 capital targets because good ratings give access to the capital markets.

In 2021 the Group met regulatory capital requirements as well as internal capital targets.



# Management Statement

Today we have reviewed and approved the 2021 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 2021 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 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.

We propose that the Annual Report be submitted for adoption by the AGM.

Aabenraa, 2 March 2022

## Group Executive Management

**Karen Frøsig**  
(CEO)

**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**



# 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 2021, 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 2021 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 2021 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 2022

**Poul-Erik Winther**  
Head of Internal Audit

## Independent Auditor's Report

### To the shareholders of Sydbank A/S

#### Auditor's Report on the Financial Statements

##### Opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the financial position of the Group at 31 December 2021 and of the results of the Group's operations and cash flows for the financial year 1 January - 31 December 2021 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Business Act.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the financial position of the Bank at 31 December 2021, and of the results of the Bank operations and cash flows for the financial year 1 January to 31 December 2021 in accordance with the Danish Financial Business Act.

Our opinion is consistent with our Auditor's Long-form Report to the Audit Committee and the Board of Directors.

##### What we have audited

The Consolidated Financial Statements of Sydbank A/S for the financial year 1 January to 31 December 2021 comprise income statement and statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies.

The Parent Company Financial Statements of Sydbank A/S for the financial year 1 January to 31 December 2021 comprise income statement and statement of comprehensive income, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies.

They are collectively referred to as "the Financial Statements".

##### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

To the best of our knowledge, no prohibited non-audit services as referred to in Article 5(1) of Regulation (EU) No 537/2014 have been provided.

##### Appointment

We were first appointed auditors of Sydbank A/S on 25 March 2021 for the financial year 2021.

##### 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 2021. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

##### Key audit matter

###### Loan impairment charges

Loans and advances are measured at amortised cost less impairment charges.

Impairment of loans and advances constitutes Management's best estimate of expected losses on loans and advances at the balance sheet date in accordance with the provisions of IFRS 9. We refer to note 1 for a detailed description of the accounting policies applied.

As a result of COVID-19 and its consequences, Management has maintained its significant increase in loan impairment charges by way of an accounting estimate ("management estimate"). The impact of COVID-19 on the Bank's customers is largely undetermined, which implies that the estimation uncertainty related to the calculation of the indication of impairment remains increased.

# Auditors' Reports

## Independent Auditor's Report

In addition, Management has increased its loan impairment charges related to the market conditions for the agricultural sector.

Since accounting estimates are inherently complex and subjective, and thus subject to considerable estimation uncertainty, loan impairment charges constitute a central focus area.

The following areas are central to the calculation of loan impairment charges:

- Determination of credit classification on initial and subsequent recognition.
- Model-based impairment charges in stages 1 and 2, including Management's determination of model variables adapted to the Bank's loan portfolio.
- The Bank's procedures to ensure completeness of the registration of credit-impaired loans (stage 3) or loans with significant increase in credit risk (stage 2).
- Most significant assumptions and estimates applied by Management in the calculations of impairment charges, including principles for the assessment of various outcomes of the customer's financial position (scenarios) and for the assessment of collateral value of, for example, properties included in the calculations of impairment.
- Management's assessment of expected credit losses at the balance sheet date as a result of possible changes in conditions which are not included in the model-based calculations or individually assessed impairment charges, including in particular the impact of COVID-19 and other uncertain market conditions on the Bank's customers.

We refer to note 2 'Accounting estimates and judgements', note 14 'Loan impairment charges, etc.' and note 18 'Loans and advances' to the Financial Statements which show factors that may affect the impairment of loans and advances.

### **How our audit addressed the Key Audit Matter**

We reviewed and assessed the impairment charges recognised in the income statement for 2021 and in the balance sheet at 31 December 2021.

We carried out risk assessment procedures to gain an understanding of IT systems, business practices and relevant controls relating to the calculation of loan impairment charges. We assessed whether the controls have been designed and implemented to effectively address the risk of material misstatement.

Selected controls, which we planned to rely on, were tested to check whether they had been carried out on a consistent basis.

We assessed the impairment model applied by the Bank. This included assessing and testing the Bank's determination of model variables and calculation of model-based impairment charges in stages 1 and 2.

We reviewed and assessed the Bank's validation of the methods applied for the calculation of expected credit losses as well as the procedures designed to ensure that credit-impaired loans in stage 3 and underperforming loans in stage 2 are identified and recorded on a timely basis.

We assessed and tested the principles applied by the Bank for the determination of impairment scenarios and for the measurement of collateral value of, for example, properties included in the calculations of impairment of credit-impaired loans and advances, and loans and advances that are significantly underperforming.

We tested a sample of credit-impaired loans in stage 3 and underperforming loans in stage 2 by testing the calculations of impairment charges and applied data to underlying documentation.

We tested a sample of other loans by making an assessment of stage and credit classification. This included samples of large loans as well as loans relating to segments with generally increased exposure, including segments which are particularly affected by the COVID-19 pandemic and other uncertain market conditions.

We reviewed and challenged the material assumptions underlying Management's estimates of expected credit losses not included in the model-based calculations or individually assessed impairment charges based on our knowledge of the portfolio, the sectors and current market conditions. We focussed specifically on the Bank's calculation of management estimates for hedging of expected credit losses as a result of the COVID-19 pandemic and other uncertain market conditions.

We assessed whether the factors which may affect loan impairment charges had been disclosed appropriately.

### Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover 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 Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Business Act.

Based on the work we have performed, in our view, 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 of the Danish Financial Business Act. We did not identify any material misstatement in Management's Review.

### 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 further requirements in the Danish Financial Business Act, and for the preparation of parent company financial statements that give a true and fair view in accordance with the Danish Financial Business Act, and 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 Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or the Bank 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 about 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 the 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 these Financial Statements.

As part of an audit in accordance with ISAs and the 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 Bank'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 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 Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required

# Auditors' Reports

## Independent Auditor's Report

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 Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the Financial Statements, including the disclosure in the notes, 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.

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, safeguards in place or measures taken to eliminate threats.

Based on the matters communicated with those charged with governance, we determine those matters that were of the most significance in our audit of the Financial Statements for the current period, and which thus constitute 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.

### Report on compliance with the ESEF Regulation

As part of our audit of the Financial Statements of Sydbank A/S, we have performed procedures for the purpose of expressing an opinion as to whether the Annual Report for the financial year 1 January to 31 December 2021, with the file name Sydbank-2021-12-31-da, has been prepared in accordance with the Commission Delegated Regulation (EU) 2018/815 on the single electronic reporting format (the ESEF Regulation), which requires the preparation of an annual report in XHTML format and with iXBRL mark-up of the primary financial statements of the Consolidated Financial Statements.

Management is responsible for preparing an annual report in compliance with the ESEF Regulation, including:

- Preparation of an annual report in XHTML format.
- Selection and use of appropriate iXBRL tags, including extensions to the ESEF taxonomy and anchoring to taxonomy elements, for financial information requiring mark-up, and making estimates where necessary.
- Ensuring consistency between iXBRL marked-up data and the humanly-readable consolidated financial statements.
- For such internal control as Management determines is necessary to enable the preparation of an annual report in compliance with the ESEF Regulation.

Based on the evidence obtained, our responsibility is to obtain reasonable assurance whether the Annual Report, in all material respects, has been prepared in accordance with the ESEF Regulation, and to express an opinion. The nature, scope and timing of the procedures selected are based on the auditor's professional judgement, including an assessment of the risk of material deviations from ESEF Regulation requirements, whether due to fraud or error. The procedures include:

- Verifying whether the Annual Report has been prepared in XHTML format.
- Gaining an understanding of the Bank's iXBRL mark-up process and of the internal control relating to the mark-up process.
- Assessment of the completeness of the iXBRL mark-up of the Consolidated Financial Statements.

## Independent Auditor's Report

- Assessment of whether the use of iXBRL elements from the ESEF taxonomy and the Bank's creation of extensions to the taxonomy are appropriate when relevant elements of the ESEF taxonomy have not been identified.
- Assessment of the anchoring of extensions to elements of the ESEF taxonomy.
- Reconciliation of iXBRL marked-up data to the audited Consolidated Financial Statements.

In our opinion, the Annual Report for the financial year 1 January to 31 December 2021, with the file name Sydbank-2021-12-31-da, has, in all material respects, been prepared in accordance with the ESEF Regulation.

Herning, 2 March 2022

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab  
CVR no 33 77 12 31

**Per Rolf Larssen**

State Authorised Public Accountant  
mne24822



## Board of Directors



### Chairman

**Lars Mikkelsen-Jensen**

**Former CEO and managing director**

**Born:** 5 August 1954

**Gender:** Male

**Education:** MSc (Economics)

**Elected to Board of Directors:** 2015

**Expiry of current term of office:** 2022

**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.



### Vice-Chairman

**Jacob Chr. Nielsen**

**CEO**

**Born:** 7 June 1973

**Gender:** Male

**Education:** Graduate Diploma in Business Administration, MBA

**Elected to Board of Directors:** 2014

**Expiry of current term of office:** 2022

**Independent:** Yes

---

**Committee memberships:** Member of Audit Committee and Nomination Committee.

### Directorships and other offices:

Erhvervshus Sydjylland, CEO

Camping Outdoor Danmark, chairman

Gråsten Landbrugsskole, board member.

**Specific competences:** Management, accounting, insurance, industry, finance and auditing.



**Board member**

**Janne Moltke-Leth**

**CEO**

**Born:** 4 August 1966

**Gender:** Female

**Education:** MSc in Business, Language and Culture; Graduate Diploma in Organisation

**Elected to Board of Directors:** 2016

**Expiry of current term of office:** 2022

**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, board member.

**Specific competences:** Management, strategy and business development, marketing and communication, flow analysis, and sales and distribution.



**Board member**

**Susanne Schou**

**Deputy Chief Executive**

**Born:** 24 April 1964

**Gender:** Female

**Education:** –

**Elected to Board of Directors:** 2018

**Expiry of current term of office:** 2022

**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.

## Board of Directors



### Board member

**Gitte Poulsen**

**CEO**

**Born:** 5 August 1967

**Gender:** Female

**Education:** –

**Elected to Board of Directors:** 2019

**Expiry of current term of office:** 2022

**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

Herning Folkeblads Fond, board member

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 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.



### Board member

**Jon Stefansson**

**Attorney**

**Born:** 27 June 1973

**Gender:** Male

**Education:** Attorney

**Elected to Board of Directors:** 2019

**Expiry of current term of office:** 2022

**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.



**Board member**

**Henrik Hoffmann**

**Former head of credits**

**Born:** 15 August 1958

**Gender:** Male

**Education:** Banking, Graduate Diploma in Foreign Trade

**Elected to Board of Directors:** 2020

**Expiry of current term of office:** 2022

**Independent:** Yes

---

**Committee memberships:** Chairman of Risk Committee.

**Directorships and other offices:**

Landbrugets Finansieringsinstitut A/S i likvidation, liquidator

Accunia Fondsmæglerselskab A/S, board member

ACM Forvaltning A/S, board member

Sirena A/S, board member

Sirena Group A/S, board member.

**Specific competences:** Financial business management, risk and credit management, finance, strategy and business development.



**Board member**

**Søren Holm**

**Former group executive**

**Born:** 15 November 1956

**Gender:** Male

**Education:** MSc (Economics)

**Elected to Board of Directors:** 2020

**Expiry of current term of office:** 2022

**Independent:** Yes

---

**Committee memberships:** Chairman of Audit Committee and member of Digitization Committee.

**Directorships and other offices:** -

**Specific competences:** Financial business management, financial management, accounting, risk and credit management, CSR, issuance of securities, auditing, strategy and business development, and governance.

## Board of Directors



**Board member**

**Carsten Andersen**

**Account Manager, Corporate Clients**

**Born:** 3 September 1984

**Gender:** Male

**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.



**Board member**

**Kim Holmer**

**AML Administrative Officer**

**Born:** 15 February 1964

**Gender:** Male

**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:** –

**Directorships and other offices:** –

**Specific competences:** Banking and finance, strategy development and organisational development.



**Board member**

**Jarl Oxlund**

**Chairman of Sydbank Kreds**

**Born:** 29 April 1967

**Gender:** Male

**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.



**Board member**

**Jørn Krogh Sørensen**

**Credit Consultant**

**Born:** 16 October 1965

**Gender:** Male

**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:** Lending, finance, risk management, accounting and management.

## Group Executive Management



### CEO

**Karen Frøsig**

**Born:** 23 September 1958

**Gender:** Female

**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.



### Deputy Group Chief Executive

**Bjarne Larsen**

**Born:** 5 November 1963

**Gender:** Male

**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 and board member

Opendo A/S, board member.



**Deputy Group Chief Executive**

**Jørn Adam Møller**

**Born:** 31 July 1966

**Gender:** Male

**Group Executive Management member since:** 2019

---

**Directorships:**

e-nettet A/S, board member

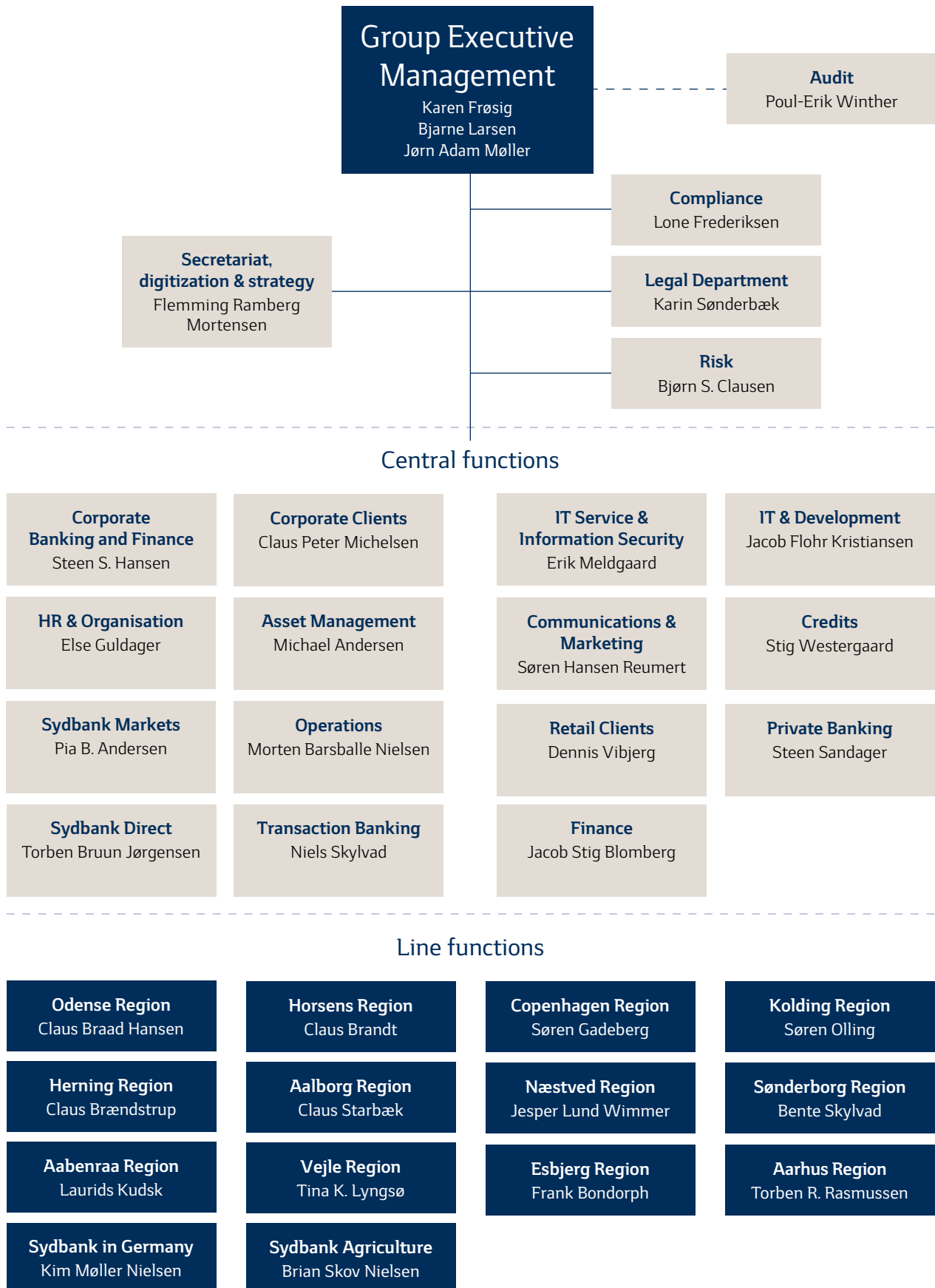
Syd Administration A/S, executive manager and board member

Ejendomsselskabet af 1. juni 1986 A/S, executive manager and board member

Syd ABB A/S, vice-chairman.



# Organisation





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**Sydbank**