

Annual Report 2022

Sydbank Group



Sydbank



Preface

Record-breaking profit due to high activity and rising interest rates

The Sydbank Group's 2022 financial statements show a profit before tax of DKK 2,405m compared to DKK 1,764m in 2021. The increase of DKK 641m is primarily attributable to a rise in earnings of DKK 751m and a drop in costs (core earnings) of DKK 137m set off against the effect of a lower reversal of impairment charges of DKK 316m. Profit before tax equals a return of 18.9% p.a. on average equity.

Profit for the year represents DKK 1,901m against DKK 1,411m in 2021, equal to a return on average equity of 14.8% after tax. At the beginning of 2022 profit after tax was projected to be in the range of DKK 1,150-1,450m.

CEO Karen Frøsig comments on the record-breaking profit:

- It is very good news that we can deliver the best result in the Bank's history. We have improved our performance because we have succeeded in increasing interest income significantly while at the same time reducing costs.

Karen Frøsig comments on the development in interest income:

- The effect of the Danish central bank's 4 interest rate hikes during H2 2022 is clearly reflected in the Bank's net interest income, which is now at a substantially higher level. Net interest income has been greatly influenced by the rise in loans and advances as well as by higher interest payments on the Bank's significant deposit surplus, which has so far earned negative interest.

Board chairman Lars Mikkilgaard-Jensen comments:

- It is highly satisfactory that the record-breaking profit and the Bank's strong capital position allow us to distribute an all-time high dividend of DKK 16.77 per share, equal to 50% of profit for 2022. Following the dividend payout the Bank will continue to be well capitalised.

Outlook for 2023

- Negative growth is projected for the Danish economy.
- Core income is expected to be higher than in 2022.
- Costs (core earnings) are projected to be higher than in 2022.
- Impairment charges are forecast to represent a minor expense.
- Non-recurring costs are expected to be in the range of DKK 50-60m.
- Profit after tax is expected to be in the range of DKK 1,900-2,200m.
- The outlook is subject to uncertainty and depends on financial market developments and macroeconomic factors which may affect eg the level of impairment charges.

2022 highlights

- A 17% increase in core income
- A drop in costs (core earnings) of 4%
- Impairment charges for loans and advances: an income of DKK 99m
- Increase in profit for the year of DKK 490m to DKK 1,901m
- Bank loans and advances of DKK 73.9bn
- Deposits of DKK 107.5bn
- A capital ratio of 19.6%, including a CET1 ratio of 17.3%
- A proposed dividend of DKK 16.77 per share

Financial Review

Highlights	5
Group Financial Highlights	10
Summary	11
Performance in 2022	14
Capital Management	24
Risk Management and Internal Controls –	
Financial Reporting	27
Investor Relations	28
Mission Statement and Business Goals	29
Organisation and Corporate Governance	38
A Decent Bank	42
ESG in Core Business	51
ESG Data and Data Processing	55

Financial Statements

Financial Statements – contents	67
Income Statement	68
Statement of Comprehensive Income	68
Balance Sheet	69
Statement of Changes in Equity	70
Cash Flow Statement	72
Notes	73

Statements and Reports

Management Statement	142
Auditors' Report	144
Report on the ESG data	148

Management, Organisation etc

Board of Directors	150
Group Executive Management	156
Organisation	158

The 2022 Annual Report is available in Danish at sydbank.dk and in English at sydbank.com.
In case of doubt the Danish version applies.



Profit for the year

1,901

DKK m

ROE	14.8%
Core income	DKK 5,194m
Costs (core earnings)	DKK 3,040m
Impairment of loans and advances	minus DKK 99m
Dividend	50% of profit for the year (DKK 16.77 per share)
Bank loans and advances	DKK 73.9bn
Total credit intermediation	DKK 178.8bn

Group Financial Highlights

	2022	2021	Index 22/21	2020	2019	2018
Income statement (DKKm)						
Core income	5,194	4,436	117	3,670	3,655	3,951
Trading income	284	291	98	278	224	138
Total income	5,478	4,727	116	3,948	3,879	4,089
Costs, core earnings	3,040	3,177	96	2,774	2,783	2,722
Core earnings before impairment	2,438	1,550	157	1,174	1,096	1,367
Impairment of loans and advances etc	(99)	(415)	-	47	(97)	(122)
Core earnings	2,537	1,965	129	1,127	1,193	1,489
Investment portfolio earnings	(141)	(21)	-	(31)	(61)	(127)
Profit before non-recurring items	2,396	1,944	123	1,096	1,132	1,362
Non-recurring items, net	9	(180)	-	(75)	(51)	58
Profit before tax	2,405	1,764	136	1,021	1,081	1,420
Tax	504	353	143	222	228	259
Profit for the year	1,901	1,411	135	799	853	1,161

Balance sheet highlights (DKKbn)						
Loans and advances at amortised cost	73.9	67.0	110	60.2	60.6	61.0
Loans and advances at fair value	10.4	16.9	62	18.0	12.6	6.5
Deposits and other debt	107.5	93.9	114	95.9	84.3	86.3
Bonds issued at amortised cost	13.2	13.3	99	9.6	7.4	3.7
Subordinated capital	1.1	1.9	58	1.9	1.9	1.9
AT1 capital	0.8	0.8	100	0.8	0.8	0.8
Shareholders' equity	13.2	12.4	106	11.7	11.0	10.9
Total assets	179.3	168.2	107	165.8	147.7	140.5

Financial ratios per share (DKK per share of DKK 10)						
EPS	32.2	23.0		12.8	13.4	17.6
Share price at year-end	292.6	206.8		134.5	139.8	155.1
Book value	233.4	212.6		197.6	184.9	179.0
Share price/book value	1.25	0.97		0.68	0.76	0.87
Average number of shares outstanding (in millions)	57.5	59.2		59.0	60.4	64.8
Proposed dividend	16.77	12.00		4.00	-	9.36
Dividend for 2019 (paid out)	-	5.70		-	-	-

Other financial ratios and key figures						
CET1 ratio	17.3	17.9		18.8	17.8	17.3
T1 capital ratio	18.6	19.3		20.4	19.4	19.0
Capital ratio	19.6	22.8		24.0	22.9	22.4
Pre-tax profit as % of average equity	18.9	14.1		8.6	9.7	12.5
Post-tax profit as % of average equity	14.8	11.2		6.6	7.5	10.2
Costs (core earnings) as % of total income	55.5	67.2		70.3	71.7	66.6
Return on assets (%)	1.09	0.84		0.51	0.59	0.83
Interest rate risk	1.3	1.6		1.6	1.6	1.3
Foreign exchange position	1.8	1.1		1.2	1.6	1.3
Foreign exchange risk	0.0	0.0		0.0	0.0	0.0
Liquidity, LCR (%)	200	200		210	174	184
Loans and advances relative to deposits	0.6	0.6		0.5	0.6	0.6
Loans and advances relative to equity	5.6	5.4		5.1	5.5	5.6
Growth in loans and advances for the year	10.3	11.3		(0.5)	(0.7)	(5.2)
Total large exposures	147	140		149	143	147
Accumulated impairment ratio	2.1	2.2		2.7	2.7	3.8
Impairment ratio for the year	(0.1)	(0.5)		0.1	(0.1)	(0.2)
Number of full-time staff at year-end	2,034	2,077	98	2,286	2,030	2,098

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 127. 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

Record-breaking profit due to high activity and rising interest rates

Sydbank's financial statements for 2022 show a profit before tax of DKK 2,405m compared to DKK 1,764m in 2021. Profit equals a return of 18.9% p.a. on average equity.

Profit before tax shows an increase of DKK 641m, which is attributable to a rise in earnings of DKK 751m and a drop in costs (core earnings) of DKK 137m set off against the effect of a lower reversal of impairment charges of DKK 316m.

Profit for the year represents DKK 1,901m compared to DKK 1,411m in 2021, equal to a return on average equity of 14.8% after tax.

In connection with the release of the 2021 Annual Report, profit after tax for 2022 was expected to be in the range of DKK 1,150-1,450m. The Group raised its expectations 4 times in 2022 – from the range of DKK 1,150-1,450m, expected in January 2022 – to the range of DKK 1,850-1,950m in connection with the Group's most recent guidance in December 2022.

Sydbank's strategy 2022-24 "Growing our business"

The strategy seeks to ensure that on the back of the results achieved in preceding years the Bank will grow and become more profitable.

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 represent the values from the Bank's underlying philosophy and its core story with promises to its customers, to its employees and to its shareholders.

The strategic goals cover these areas:

- Awareness
- Return on equity
- Rate of costs

Awareness

By means of targeted efforts we will increase awareness of Sydbank and our value creation for customers. We will elevate unaided brand awareness from its level of around 20% at year-end 2021 to around 40% by the end of the strategy period. At year-end 2022 unaided awareness had risen to 24%.

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 – based on a normalised level of impairment charges. The goal was set in the context of a negative interest rate environment. In 2022 return on equity constituted 14.8% against 11.2% in 2021.

Rate of costs

We will continue to focus on the balance between income and costs. This will be achieved by continuing to increase income while maintaining a constant focus on costs. We will prioritise our initiatives and ensure a better understanding of costs throughout the organisation as well as continue to ensure a powerful engine room. The strategic goal for the rate of costs is around 60%. In 2022 the rate of costs constituted 55% against 67% in 2021.

Summary

Sydbank's customers

The Bank's customer portfolio can be divided into the segments: corporate clients, Private Banking clients and retail clients, and institutional clients.

Sydbank has succeeded in building relationships in particular as regards the backbone of the Danish corporate sector – medium-sized and large enterprises – and by developing expertise among its employees the Bank has secured a strong position as a full-service corporate and advisory bank offering a wide variety of professional financing solutions tailored to the requirements of the individual business.

The Bank strives to have a continued increase in customers primarily with the following profiles:

- Medium-sized or large enterprises in the SME segment with growth potential
- Retail clients with healthy finances
- Young customers with prospects
- Wealthy retail clients

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 2022

Net interest income has risen by DKK 685m or 39% to DKK 2,461m. The increase is attributable to growth in loans and advances to corporate clients as well as an increase in the interest rate level.

Total core income has risen by DKK 758m to DKK 5,194m. The increase is primarily a result of higher activity and a rise in net interest income.

Trading income represents DKK 284m compared to DKK 291m in 2021.

Total income has increased by DKK 751m to DKK 5,478m compared with 2021.

Costs (core earnings) have gone down by DKK 137m to DKK 3,040m compared with 2021.

Impairment charges for loans and advances represent an income of DKK 99m. In 2021 impairment charges constituted an income of DKK 415m.

Core earnings for 2022 represent DKK 2,537m – an increase of DKK 572m compared with 2021.

Together the Group's position-taking and liquidity handling generated negative earnings of DKK 141m in 2022 compared to negative earnings of DKK 21m in 2021.

Profit before tax constitutes DKK 2,405m compared to DKK 1,764m in 2021. Tax has been calculated at DKK 504m. Profit for the year amounts to DKK 1,901m compared to DKK 1,411m in 2021.

Bank loans and advances have gone up by DKK 6.9bn and represented DKK 73.9bn at year-end 2022, equal to a rise of 10.3%.

Total credit intermediation represented DKK 178.8bn at year-end 2022 and rose by DKK 3.5bn in 2022, equal to 2.0%.

Return on shareholders' equity before and after tax constitutes 18.9% and 14.8% respectively against 14.1% and 11.2% respectively in 2021.

Earnings per share stands at DKK 32.2 compared to DKK 23.0 in 2021.

During the year shareholders' equity went up by DKK 772m to DKK 13,185m. The change comprises additions from profit for the year of DKK 1,910m, net purchases of own shares of DKK 427m, dividend paid of DKK 713m as well as other equity adjustments of DKK 2m.

Less the proposed dividend, the CET1 ratio and the capital ratio stood at 17.3% and 19.6% respectively at year-end 2022 compared to 17.9% and 22.8% respectively at year-end 2021.

At 31 December 2022 the individual solvency need represented 10.8% (2021: 10.6%).

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 2023

The Board of Directors proposes – in compliance with the Bank's dividend policy – that a dividend of DKK 16.77 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 2022.

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

Outlook for 2023

Negative growth is projected for the Danish economy.

Core income is expected to be higher than in 2022.

Costs (core earnings) are projected to be higher than in 2022.

Impairment charges are forecast to represent a minor expense.

Non-recurring costs are expected to be in the range of DKK 50-60m.

Profit after tax is expected to be in the range of DKK 1,900-2,200m.

The outlook is subject to uncertainty and depends on financial market developments and macroeconomic factors which may affect eg the level of impairment charges.

Performance in 2022

The Sydbank Group has recorded a profit before tax of DKK 2,405m compared to DKK 1,764m in 2021. Profit before tax equals a return of 18.9% p.a. on average equity.

Profit for the year after tax represents DKK 1,901m compared to DKK 1,411m in 2021, equal to a return on average equity of 14.8% p.a.

In connection with the release of the 2021 Annual Report, profit after tax was expected to be in the range of DKK 1,150-1,450m in 2022.

On 25 April 2022 the Bank raised its expectations for 2022 to a profit after tax in the range of DKK 1,350-1,550m.

On 19 September 2022 the Bank raised its expectations to a profit after tax in the range of DKK 1,500-1,700m.

On 22 November 2022 the Bank raised its expectations to a profit after tax in the range of 1,700-1,850m.

On 22 December 2022 the Bank raised its expectations again for 2022 to a profit after tax in the range of DKK 1,850-1,950m.

Profit for the year of DKK 1,901m significantly exceeds the expectations for profit of DKK 1,150-1,450m first announced. The improvement is mainly attributable to an increase in net interest income due to the rise in loans and advances as well as to higher interest payments on the Bank's significant deposit surplus, which has so far earned negative interest.

The financial statements are characterised by the following:

2022

- A rise in core income of DKK 758m or 17% to DKK 5,194m
- A drop in trading income of DKK 7m
- A decline in costs (core earnings) of DKK 137m or 4% to DKK 3,040m
- Impairment charges for loans and advances represent an income of DKK 99m
- A rise in core earnings of DKK 572m to DKK 2,537m
- Negative investment portfolio earnings of DKK 141m
- Non-recurring items, net represent an income of DKK 9m
- Bank loans and advances of DKK 73.9bn (2021: DKK 67.0bn)
- Deposits of DKK 107.5bn (2021: DKK 93.9bn)
- A capital ratio of 19.6%, including a CET1 ratio of 17.3%
- An individual solvency need of 10.8%
- A proposed dividend of DKK 16.77 per share

Q4

- Profit for the period after tax amounts to DKK 714m
- Impairment charges for loans and advances represent an income of DKK 12m

Income statement

Group (DKKm)	2022	2021
Core income	5,194	4,436
Trading income	284	291
Total income	5,478	4,727
Costs, core earnings	3,040	3,177
Core earnings before impairment	2,438	1,550
Impairment of loans and advances etc	(99)	(415)
Core earnings	2,537	1,965
Investment portfolio earnings	(141)	(21)
Profit before non-recurring items	2,396	1,944
Non-recurring items, net	9	(180)
Profit before tax	2,405	1,764
Tax	504	353
Profit for the year	1,901	1,411

Core income

Total core income has risen by DKK 758m or 17% to DKK 5,194m. The increase is primarily a result of higher activity, a rise in loans and advances to corporate clients and an increase in the interest rate level.

Net interest income has gone up by DKK 685m or 39% to DKK 2,461m. The increase is attributable to growth in loans and advances to corporate clients and an increase in the interest rate level.

Net income from the cooperation with Totalkredit represents DKK 533m (2021: DKK 544m) after a set-off of loss of DKK 8m (2021: DKK 13m). The cooperation with DLR Kredit has generated an income of DKK 125m (2021: DKK 147m). Total mortgage credit income amounts to DKK 660m – a drop of DKK 33m or 5% compared to 2021.

Income from remortgaging and loan fees has gone up by DKK 70m to DKK 239m – an increase of 41% compared with 2021. The rise is attributable to a higher level of activity.

The remaining income components have risen by DKK 36m – an increase of 2% compared to 2021.

Core income

Group (DKKm)	2022	2021
Net interest etc	2,461	1,776
Mortgage credit	660	693
Payment services	237	203
Remortgaging and loan fees	239	169
Commission and brokerage	478	470
Commission etc investment funds and pooled pension plans	319	340
Asset management	351	380
Custody account fees	113	115
Other operating income	336	290
Total	5,194	4,436

Trading income

Trading income constitutes DKK 284m compared with DKK 291m in 2021. The satisfactory income is attributable to high activity in particular in the bond market in 2022.

Costs and depreciation

The Group's total costs and depreciation have gone down by DKK 319m to DKK 3,090m compared with 2021. The decline is attributable in part to costs related to the integration of Alm. Brand Bank as well as residual depreciation of the capital market platform in 2021.

Costs and depreciation

Group (DKKm)	2022	2021
Staff costs	1,756	1,847
Other administrative expenses	1,175	1,391
Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	115	138
Other operating expenses	44	33
Total	3,090	3,409
Distributed as follows:		
Costs, core earnings	3,040	3,177
Costs, investment portfolio earnings	7	7
Non-recurring costs	43	225

Costs (core earnings) represent DKK 3,040m against DKK 3,177m in 2021 – a decrease of DKK 137m.

For additional information on non-recurring costs, see the paragraph on page 17.

At year-end 2022 the Group's staff numbered 2,034 (full-time equivalent) compared to 2,077 at year-end 2021.

The number of branches is unchanged compared with year-end 2021 and at year-end 2022 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 2,438m – an increase of DKK 888m compared to 2021.

Impairment of loans and advances etc

Impairment charges for loans and advances represent an income of DKK 99m. Impairment charges constituted an income of DKK 415m in 2021.

Management estimates

At 31 December 2022 the Group had a management estimate of DKK 500m to hedge macroeconomic uncertainty. The management estimate represents DKK 400m as regards corporate clients and DKK 100m as regards retail clients.

The management estimate as regards macroeconomic risks covers potential losses related to the negative effects of energy price increases, a high inflation rate as well as the risk of a recession etc.

For further information reference is made to the separate publication Credit Risk 2022, which is available at sydbank.com.

At year-end 2022 the impairment ratio for the year represented minus 0.1% relative to bank loans and advances and minus 0.1% relative to bank loans and advances and guarantees.

Impairment charges for the year by industry

Group (DKKm)	2022	2021
Agriculture etc	(127)	(251)
Trade	140	(1)
Real property	(26)	(30)
Other industries	56	(33)
Total corporate	43	(315)
Retail	(142)	(100)
Total	(99)	(415)

At 31 December 2022 accumulated impairment and provisions amounted to DKK 1,929m (2021: DKK 1,974m).

In 2022 reported losses amounted to DKK 48m (2021: DKK 141m). Of the reported losses DKK 29m has previously been written down (2021: DKK 97m).

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.

Performance in 2022

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 2022 allocated to these stages are shown below.

Credit impaired bank loans and advances – stage 3 – represent

1.6% (2021: 1.6%) of total bank loans and advances before impairment charges and 0.7% (2021: 0.8%) 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% (2021: 0.2%) of total bank loans and advances before impairment charges and 0.2% (2021: 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 2022 stand at 57.0% (2021: 53.8%).

Core earnings

Core earnings for 2022 represent DKK 2,537m – an increase of DKK 572m compared with 2021.

Investment portfolio earnings

Together the Group's position-taking and liquidity handling generated negative earnings of DKK 141m in 2022 compared to negative earnings of DKK 21m in 2021. The negative result for 2022 is due to a combination of the effects of interest rate increases and widening credit spreads.

Loans and advances and impairment charges

(DKKm)	Stage 1	Stage 2	Stage 3	Credit impaired at initial recognition	Total
2022					
Loans/advances before impairment charges	67,502	6,844	1,186	141	75,673
Impairment charges	371	693	676	-	1,740
Loans/advances after impairment charges	67,131	6,151	510	141	73,933
2022 (%)					
Impairment charges as % of bank loans/advances	0.5	10.1	57.0	-	2.3
Share of bank loans/advances before impairment charges	89.2	9.0	1.6	0.2	100.0
Share of bank loans/advances after impairment charges	90.8	8.3	0.7	0.2	100.0
2021					
Loans/advances before impairment charges	64,296	3,306	1,098	171	68,871
Impairment charges	482	757	591	-	1,830
Loans/advances after impairment charges	63,814	2,549	507	171	67,041
2021 (%)					
Impairment charges as % of bank loans/advances	0.7	22.9	53.8	-	2.7
Share of bank loans/advances before impairment charges	93.4	4.8	1.6	0.2	100.0
Share of bank loans/advances after impairment charges	95.2	3.8	0.8	0.2	100.0

Investment portfolio earnings

Group (DKKm)	2022	2021
Position-taking	(67)	(13)
Liquidity generation and liquidity reserves	(69)	(5)
Strategic positions	2	4
Costs	(7)	(7)
Total	(141)	(21)

The Group's interest rate risk was positive at the end of 2022 and the Group would suffer a loss in the event of interest rate increases. In terms of the Group's bond portfolios – including cash resources – the interest rate risk is considered to be modest.

Non-recurring items, net

Non-recurring items represent a net income of DKK 9m compared with a net expense of DKK 180m in 2021.

In 2022 the item included costs of DKK 30m related to the development of the housing process and DKK 12m related to the development of the bank/insurance partnership. In addition DKK 51m was recognised as income as regards extraordinary realised capital gains from the portfolio acquired from Alm. Brand Bank.

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 was 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 was recognised as income as regards extraordinary realised capital gains from the lending portfolio acquired from Alm. Brand Bank.

Profit for the year

Profit before tax amounts to DKK 2,405m (2021: DKK 1,764m). Tax represents DKK 504m (2021: DKK 353m), equivalent to an effective tax rate of 21.0%. Profit for the year amounts to DKK 1,901m (2021: DKK 1,411m).

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 2022 the value adjustment represented DKK 42m (2021: DKK 92m).

Return

Return on shareholders' equity before and after tax constitutes 18.9% and 14.8% respectively against 14.1% and 11.2% respectively in 2021. Earnings per share stands at DKK 32.2 compared to DKK 23.0 in 2021.

Sydbank – the parent

The Bank's total income before costs and impairment charges for loans and advances represents DKK 5,380m (2021: DKK 4,793m). The income includes the consolidated profit on holdings in associates and subsidiaries of DKK 31m (2021: DKK 25m).

Total costs, including non-recurring costs, net of DKK 43m (2021: DKK 225m), constitute DKK 3,026m (2021: DKK 3,356m).

Impairment charges of DKK 96m have been reversed (2021: income of DKK 415m) as regards bank loans and advances.

Pre-tax profit amounts to DKK 2,450m (2021: DKK 1,852m).

Post-tax profit amounts to DKK 1,937m (2021: DKK 1,494m).

Subsidiaries

Profit after tax of the subsidiaries represents DKK 26m (2021: DKK 24m).

Group – Q4 2022

The Group's profit before tax for the quarter stands at DKK 884m (Q4 2021: DKK 482m). Tax represents DKK 170m and profit for the period amounts to DKK 714m (Q4 2021: DKK 398m).

Compared to Q3 2022 profit before tax shows:

- a core income of DKK 1,504m (Q3: DKK 1,291m)
- a trading income of DKK 107m (Q3: DKK 61m)
- costs (core earnings) of DKK 752m (Q3: DKK 714m)
- impairment charges for loans and advances: an income of DKK 12m (Q3: income of DKK 3m)
- investment portfolio earnings of DKK 17m (Q3: minus DKK 67m)

Performance in 2022

Quarterly results

Group (DKKm)	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
Core income	1,504	1,291	1,199	1,200	1,156
Trading income	107	61	16	100	103
Total income	1,611	1,352	1,215	1,300	1,259
Costs, core earnings	752	714	775	799	782
Core earnings before impairment	859	638	440	501	477
Impairment of loans and advances etc	(12)	(3)	(23)	(61)	(104)
Core earnings	871	641	463	562	581
Investment portfolio earnings	17	(67)	(62)	(29)	5
Profit before non-recurring items	888	574	401	533	586
Non-recurring items, net	(4)	(12)	(12)	37	(104)
Profit before tax	884	562	389	570	482
Tax	170	123	86	125	84
Profit for the period	714	439	303	445	398

Total assets

The Group's total assets made up DKK 179.3bn at year-end 2022 against DKK 168.2bn at year-end 2021.

Assets

Group – year-end (DKKbn)	2022	2021
Amounts owed by credit institutions etc	30.1	22.3
Loans and advances at fair value (reverse transactions)	10.5	16.9
Loans and advances at amortised cost (bank loans and advances)	73.9	67.0
Securities and holdings etc	33.8	31.6
Assets related to pooled plans	20.6	22.2
Other assets etc	10.4	8.2
Total	179.3	168.2

The Group's bank loans and advances totalled DKK 73.9bn at 31 December 2022. Compared to 2021 this is an increase of DKK 6.9bn.

Bank loans and advances

Group – year-end (DKKbn)	2022	2021
Corporate clients	61.2	52.8
Retail clients	12.6	14.1
Public authorities	0.1	0.1
Total	73.9	67.0

Bank loans and advances to corporate clients represent DKK 61.2bn – an increase of DKK 8.4bn, equal to 16% compared to 2021. Corporate lending was for instance affected by the repayment of funds received under the government's relief packages, which included a deferral of VAT and tax payments.

Bank loans and advances to retail clients represent DKK 12.6bn, a decrease of DKK 1.5bn compared to 2021.

Credit facilities to corporate clients

Group – year-end (DKKbn)	2022	2021
Drawn facilities = loans/advances before impairment charges	62.6	54.2
Undrawn facilities	42.0	39.9
Total	104.6	94.1

The Group's total credit facilities to corporate clients have risen by DKK 10.5bn compared to 2021.

During 2022 corporate clients drew a further DKK 8.4bn under their credit facilities.

Equity and liabilities

Group – year-end (DKKbn)	2022	2021
Amounts owed to credit institutions etc	5.5	6.9
Deposits and other debt	107.5	93.9
Deposits in pooled plans	20.6	22.2
Bonds issued	13.2	13.3
Other liabilities etc	17.2	16.4
Provisions	0.2	0.4
Subordinated capital	1.1	1.9
Equity	14.0	13.2
Total	179.3	168.2

The Group's deposits make up DKK 107.5bn. This is an increase of DKK 13.6bn compared to 2021 consisting of an increase in ordinary deposits of DKK 10.1bn, a rise in deposits at notice of DKK 2.2bn, an increase in time deposits of DKK 0.8bn and a rise 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)	2022	2021
Bank loans and advances	73.9	67.0
Funded mortgage-like loans	4.9	5.6
Arranged mortgage loans – Totalkredit	86.4	89.2
Arranged mortgage loans – DLR	13.6	13.5
Total	178.8	175.3

The Group's total credit intermediation represents DKK 178.8bn – an increase of DKK 3.5bn, equal to 2% compared to year-end 2021. The change is attributable to a rise in bank loans and advances of DKK 6.9bn, a decline in funded mortgage-like loans of DKK 0.7bn and a drop in arranged mortgage loans of DKK 2.7bn. Arranged mortgage loans – Totalkredit have declined because customers have refinanced their fixed-rate bond loans. Refinancing of bond loans has enabled customers to significantly reduce their outstanding debt and consequently arranged Totalkredit mortgage loans recorded a drop of DKK 2.8bn in 2022.

Share capital

Share capital constitutes DKK 583,873,200 at year-end 2022 – a drop of 12,890,000 compared with year-end 2021.

The number of shares outstanding has fallen from 58,384,311 (97.83%) at the end of 2021 to 56,494,660 (96.76%) at the end of 2022. The book value of the Sydbank share is 233.4 (2021: 212.6). At year-end 2022 the closing price of the Sydbank share stood at 292.6 and the share price/book value at 1.25.

The Sydbank share

Number	2022	2021
Average number of shares outstanding	57,549,963	59,186,746
Number of shares outstanding at year-end	56,494,660	58,384,311
Number of shares issued at year-end	58,387,320	59,676,320

Equity

At year-end 2022 shareholders' equity constituted DKK 13,185m – an increase of DKK 772m since the beginning of the year. The

change comprises additions from profit for the year of DKK 1,910m, net purchases of own shares of DKK 427m, dividend paid of DKK 713m as well as other equity adjustments of DKK 2m.

Capital

On 2 March 2022 the Bank announced a new share buyback programme of DKK 425m, however a maximum of 4 million shares. The share buyback was made as part of the adjustment to optimise the capital structure in accordance with the Bank's capital targets and capital policy.

The share buyback programme was initiated on 7 March 2022 and terminated on 22 December 2022. Under the programme 1,887,000 shares were purchased at a transaction value of DKK 425m.

In March 2022 the Group redeemed T2 capital amounting to EUR 100m.

AT1 capital of EUR 75m issued in 2004 can no longer be included in the determination of total capital.

As part of the efforts to optimise the capital structure the Group will look into the possibilities of issuing supplementary capital of around EUR 100m in H1 2023.

In September 2022 the Group issued Green Bonds in the amount of DKK 3.7bn. Green Bonds are a special type of bonds as regards which the Group is obligated to allocate the proceeds from the bonds to finance loans and advances that contribute to mitigating the environmental impact. The purpose of the issue is to meet the minimum requirement for own funds and eligible liabilities (MREL).

Risk exposure amount

The risk exposure amount (REA) constitutes DKK 60.5bn (2021: DKK 57.4bn) – an increase of DKK 3.1bn. Credit risk has gone up by DKK 2.2bn. The increase is attributable to a rise in bank loans and advances of DKK 6.9bn compared to year-end 2021. Operational risk has gone up by DKK 0.9bn. Other exposures are unchanged compared with year-end 2021.

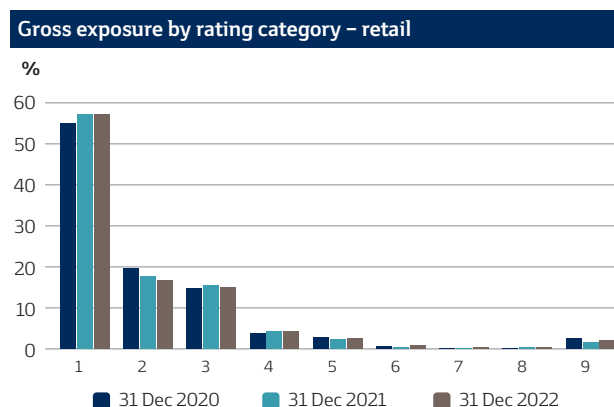
Group – year-end (DKKbn)	2022	2021
Credit risk	41.0	38.8
Market risk	5.4	5.5
Operational risk	8.1	7.2
Other exposures incl CVA	6.0	5.9
Total	60.5	57.4

Performance in 2022

The development in the breakdown by rating category from 2020 to 2022 as regards retail exposures and corporate exposures is shown below.

Retail

The development in the gross exposure by rating category as regards retail exposures is illustrated 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 A-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.

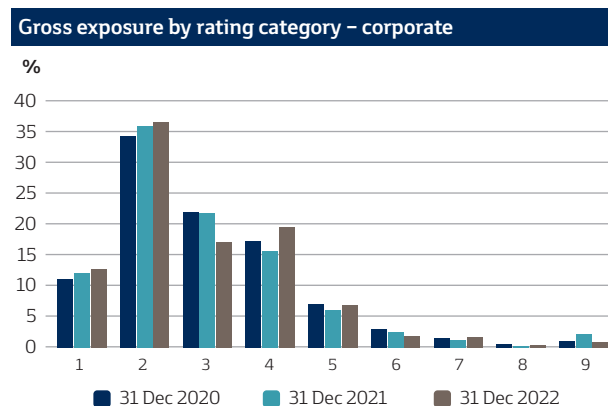
The gross exposure by rating category shows an unchanged high share in the 4 best rating categories.

Corporate

The Group has previously used the foundation IRB approach as regards corporate exposures. The Group achieved approval from the Danish FSA as of 31 October 2022 to use the advanced IRB approach (A-IRB) to rate corporate exposures. The implementation of A-IRB has resulted in an adjustment of the PD level which in turn has affected the correlation between PD and rating categories.

With the new A-IRB approach the EBA guidelines and the new definition of default have been implemented.

The development in the gross exposure by rating category is illustrated below. Historical data is treated according to the new A-IRB approach.



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 A-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 an unchanged high share in the 4 best rating categories.

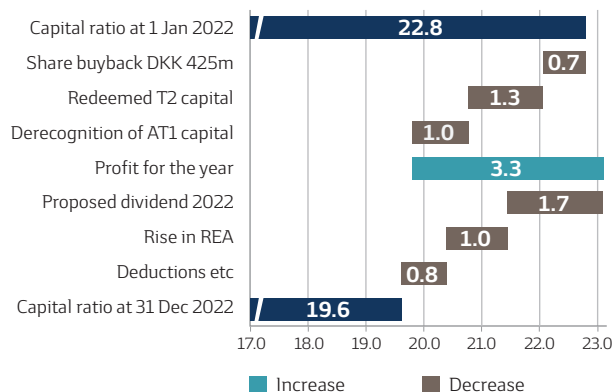
Reference is made to the note on credit risk on page 133 and the separate publication Credit Risk 2022.

Solvency

Group – year-end (DKKm)	2022	2021
REA	60,472	57,415
CET1 capital	10,484	10,277
T1 capital	11,227	11,076
Total capital	11,863	13,082
CET1 ratio	17.3	17.9
T1 capital ratio	18.6	19.3
Capital ratio	19.6	22.8

At year-end 2022 the CET1 ratio and the capital ratio stood at 17.3% and 19.6% respectively compared to 17.9% and 22.8% respectively at year-end 2021.

Capital ratio in 2022



At 31 December 2022 the individual solvency need represented 10.8% (2021: 10.6%). The solvency need consists of a minimum capital requirement of 8% under Pillar I and a capital add-on under Pillar II. Approximately 56% of the solvency need must be covered by CET1 capital, equal to 6.1% of the risk exposure amount.

Solvency of the parent

At year-end 2022 the CET1 ratio and the capital ratio stood at 16.8% and 19.0% respectively (2021: 17.3% and 22.0%).

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 pages 24-26.

Dividend policy

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

Subordinated debt and MREL requirements

Once a year the Danish FSA sets requirements as to subordinated debt and own funds and eligible liabilities (MREL) for Danish institutions, including Sydbank.

At 31 December 2022 the subordinated debt requirement and the MREL were identical and represented 24.4% of the risk exposure amount and can be calculated as follows:

Requirements and excess cover

Group	Subordinated debt		MREL	
	%	DKK m	%	DKK m
REA		60,472		60,472
Capital requirement	24.4	14,755	24.4	14,755
Total capital		11,863		11,863
SNP loans with maturities > 1 year		9,528		9,528
Cover of combined buffer requirement				(3,204)
Total cover	35.4	21,391	30.1	18,187
Capital adequacy	11.0	6,636	5.7	3,432

At 31 December 2022 the Sydbank Group met the requirements with an excess cover of DKK 6,636m and DKK 3,432m respectively.

The Danish FSA has set the requirements for Sydbank at 26.6% and 24.7% respectively of the risk exposure amount as of 1 January 2023. As a result of the new requirements the excess cover will drop to DKK 5,306m and DKK 3,250m respectively.

In 2022 the Group issued Green Bonds in the amount of DKK 3.7bn, which is included in the above MREL calculation.

Market risk

At 31 December 2022 the Group's interest rate risk represented DKK 147m (2021: DKK 173m). 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.

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 as regards large deposits from businesses and financial counterparties.

The Group's LCR constituted 200% at 31 December 2022 (2021: 200%).

Performance in 2022

LCR

Group – year-end (DKKbn)	2022	2021
Total liquidity buffer	56.5	50.4
Net cash outflows	28.2	25.2
LCR (%)	200	200

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 2022.

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 2022 (2021: 132%).

NSFR

Group – year-end (DKKbn)	2022	2021
Required stable funding	89.7	83.4
Available stable funding	118.2	110.4
NSFR (%)	132	132

The Group has met the NSFR requirement of 100% throughout the year and its excess cover is significant at 31 December 2022.

Funding ratio

Group – year-end (DKKbn)	2022	2021
Equity and subordinated capital	15.1	15.1
SNP loans with maturities > 1 year	9.5	9.6
Stable deposits	101.3	85.5
Total stable funding	125.9	110.2
Bank loans and advances	73.9	67.0
Funding ratio (%)	170	164

The Group's stable funding exceeded the Group's loans and advances by DKK 52.0bn at 31 December 2022 (2021: DKK 43.2bn).

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 2022 the Sydbank share yielded a return of 47% (2021: 61%) as a result of the increase in the share price during the year as well as dividend distributed for 2021.

The Board of Directors will propose to the AGM that 50% of the Group's profit after tax, equal to a dividend of DKK 16.77 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 2022 the Group as well as the parent comply with all the benchmarks of the Supervisory Diamond.

Supervisory Diamond benchmarks

Group	2022	2021
Sum of 20 largest exposures < 175%	147	140
Lending growth < 20% annually	10	11
Commercial property exposure < 25%	8	8
Excess liquidity coverage > 100%	222	221

Leverage ratio

The CRR2 Regulation stipulates that T1 capital must constitute at least 3% of total exposures (leverage ratio).

The Group's leverage ratio constituted 6.1% at 31 December 2022 (2021: 6.2%) taking into account the transitional rules.

SIFI

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

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). The Danish FSA has set the MREL for Sydbank at 24.7% of the risk exposure amount as of 1 January 2023.

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 2022 represents DKK 28m.

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.

Outlook for 2023

Negative growth is projected for the Danish economy.

Core income is expected to be higher than in 2022.

Costs (core earnings) are projected to be higher than in 2022.

Impairment charges are forecast to represent a minor expense.

Non-recurring costs are expected to be in the range of DKK 50-60m.

Profit after tax is expected to be in the range of DKK 1,900-2,200m.

The outlook is subject to uncertainty and depends on financial market developments and macroeconomic factors which may affect the level of impairment charges.

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. In 2022 the Group gained approval to use the advanced IRB approach as regards corporate clients. As a result the Group uses the advanced IRB approach as regards retail clients and corporate clients to determine the Group's capital requirements.

The Group uses the Standardised Approach to calculate credit risk in relation to exposures to governments, credit institutions and a few specific portfolios.

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 equals 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 5.3% at 31 December 2022.

Capital and solvency and capital requirements

% of REA	31 Dec 2022
Capital and solvency	
CET1 ratio	17.3
T1 capital ratio	18.6
Capital ratio	19.6
Capital requirements (incl buffers)*	
Total capital requirement	16.1
CET1 capital requirement	11.4
- of which SIFI buffer	1.0
- of which capital conservation buffer	2.5
- of which countercyclical buffer**	1.8
Excess capital	
CET1 capital	5.9
Total capital	3.5

* 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 2.0% but it will rise by 0.5pp at 31 March 2023.

**The countercyclical buffer is calculated as an exposure weighted average of the specific rates as regards the countries in which the companies to which exposures have been granted are domiciled. The rate as regards exposures to companies domiciled in Denmark constitutes 2.0%.

The committees in the Group's risk organisation report directly to the Group Executive Management. The committees identify, monitor and assess risks within the individual risk areas and ensure that models and principles are formulated to calculate risks. The committees ensure that the Bank's business units proactively carry out their operations and address identified risks. Each committee reviews a risk assessment for its own area annually. The Group's Chief Risk Officer is a member of all committees, see Risk Management on page 132.

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 I) with add-ons for any risks deemed not to be sufficiently covered under Pillar I. At year-end 2022 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 I 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	4,380	7.2
Market risk	750	1.2
Operational risk	901	1.5
Other exposures	512	0.8
Adequate total capital/solvency need	6,543	10.8

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 2022:

Capital structure	DKKm	% of REA
Adequate total capital/solvency need	6,543	10.8
Combined buffer requirement	3,204	5.3
Capital requirements incl combined buffer requirement	9,747	16.1
Excess capital	2,116	3.5
Total capital	11,863	19.6

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 2022 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 be hit by a setback in 2023 which will be even worse in 2024 when the global economy will be hit by a deep recession. The recession may be triggered by a delayed effect of the sharply rising interest rates which trigger significant drops in property prices on a global level combined with a rise in unemployment. A relatively large decline in household deposits is projected, predominantly

as a consequence of mounting unemployment and a decline in property prices. The decline in GDP will be on a par with the recession in 2008-2009. GDP will drop by a total of 6.5% in 2023 to 2025.

High interest rates which reflect that contrary to expectations central banks will not manage to bring inflation under control. Interest rates are assessed to be approx 2% higher than in the base case scenario. The global economy will be hit by a deep recession where property prices will drop substantially and investments will slow down. This will feed through to a small, open economy such as Denmark's.

Energy crisis which reflects that Europe will not be able to sufficiently refill its gas stocks during spring and summer so the gas stocks will not be ready for the 2023/2024 heating season. This scenario could also be triggered by an exceptionally hard winter in 2022/2023 causing gas stocks to be close to nil in spring 2023. As a result Europe's gas stocks will have a low starting level before refilling in 2023. This scenario assumes that Europe's import of liquid natural gas (LNG) will not increase substantially from its level in 2022 and the scenario could be reinforced by cold winter weather in 2023/2024. The economic slowdown will occur toward the end of 2023 when energy is rationed and the slowdown will worsen in 2024. The economic effects will be caused in particular by soaring energy prices which will prompt companies to lower production while the erosion of consumers' spending power will curb consumption. Inflation will be significantly higher than in the base case scenario and the stress scenario.

Inflation which reflects that developments in the economy are characterised by high wage increases as a consequence of the past year's high inflation and tight labour market. This means that a number of collective agreements throughout Europe will result in large wage increases. This will trigger a self-reinforcing wage-price spiral. Central banks will respond with severe monetary tightening which will create financial turmoil. Banks' lending will drop by 10% in 2023 because the economy will brake sharply and inflation will leave its mark well into 2025.

New financial crisis which reflects a situation similar to the most recent financial crisis where an overheated housing market in USA will turn into a global property crash. The trigger is the US housing market in particular but overheated housing markets are seen globally. The scenario entails the most severe economic slowdown of all scenarios. Private consumption will plummet as a result of a sharp rise in unemployment and higher interest rates, which will also contribute to a significant increase in forced sales. In addition the industrial sector will be adversely affected. Interest rates will go up sharply in 2023 and central banks will

Capital Management

respond with corresponding interest rate cuts in 2024. Share markets will plummet and there will generally be significant financial stress. The financial stress will hit Danish mortgage bonds and it is assumed that credit spreads will widen by 100bp.

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 2022 the Group fully complied with external as well as internal capital requirements.

On the basis of the risk reporting at 31 December 2022, 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 2022, 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.

Risk Management and Internal Controls – Financial Reporting

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. The consolidated financial statements are prepared 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 financial statements of the parent are prepared in compliance with the Danish Financial Business Act.

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.

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).

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.

Contact with analysts, shareholders and potential investors in 2022 was in the form of physical as well as virtual meetings.

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 206.8 at year-end 2021 to 292.6 at year-end 2022, equal to an increase of 41.5%. Adding dividend distributed in 2022 of DKK 12.00 per share, return to shareholders represented 47.3%. By comparison the bank index rose by 17.5%.

The Sydbank share	2022	2021
Share capital (DKKm)	584	597
Total market capitalisation at year-end (DKKm)	16,530	12,074
Share price at year-end	292.6	206.8
EPS (DKK)	32.2	23.0
Dividend per share (DKK)	16.77	12.00
Book value per share (DKK)	233.4	212.6
Share price/book value per share	1.25	0.97

6 analysts covered the Sydbank share at the end of 2022.

The average daily turnover of the Sydbank share was DKK 30m in 2022 compared with DKK 28m in 2021. The share was the 30th most traded share on Nasdaq Copenhagen.

Share price developments 2022



1 January 2022 = index 206.80, ie Sydbank's share price

Dividend policy

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

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

In 2022 Sydbank distributed a dividend of 50%, cf the Bank's dividend policy, equal to DKK 12.00 per share.

In continuation of the dividend distribution in 2022 Sydbank has acquired 1,887,000 own shares totalling DKK 425m. The share buyback was conducted as part of the adjustment to the Group's capital targets.

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 16.77 per share, be distributed and that DKK 12m be donated to the sponsorship fund Sydbank Fonden.



Mission Statement and Business Goals

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

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

Sydbank's roots in Southern Jutland coupled with its fundamental values, its core story and 10 rules to live by constitute Sydbank's framework as an independent bank operating on its own terms.

Mission Statement and Business Goals

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 core story

Banking

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

Banking – pure and simple.

Our bank

Rooted in Southern Jutland, Sydbank is a strong and independent nationwide bank operating on its own terms. For the backbone of the Danish corporate sector and for retail clients who value professional advice we are a bank for most people but not the same bank for everyone. Good old-fashioned attentiveness, new technology – we use what works. We know our customers and

we are close to them providing advice tailored to their individual needs. Backed by the best business partners our competitive strength is increased.

Our bank – excellence and relationships create value.

Sydbank

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

Sydbank – what can we do for you?

Sydbank's 10 rules to live by

We will remain an independent bank

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

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.

We build on relationships

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

At Sydbank we focus on what is important – banking and sound business. We call it “Banking – pure and simple”.

The classic business model for banks is concerned with optimising risk management when short-term deposits are converted to long-term loans. This remains the cornerstone of Sydbank's business model.

In addition to deposit and loan products produced in-house, the Bank's business model includes 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. Backed by the best business partners our competitive strength is increased.

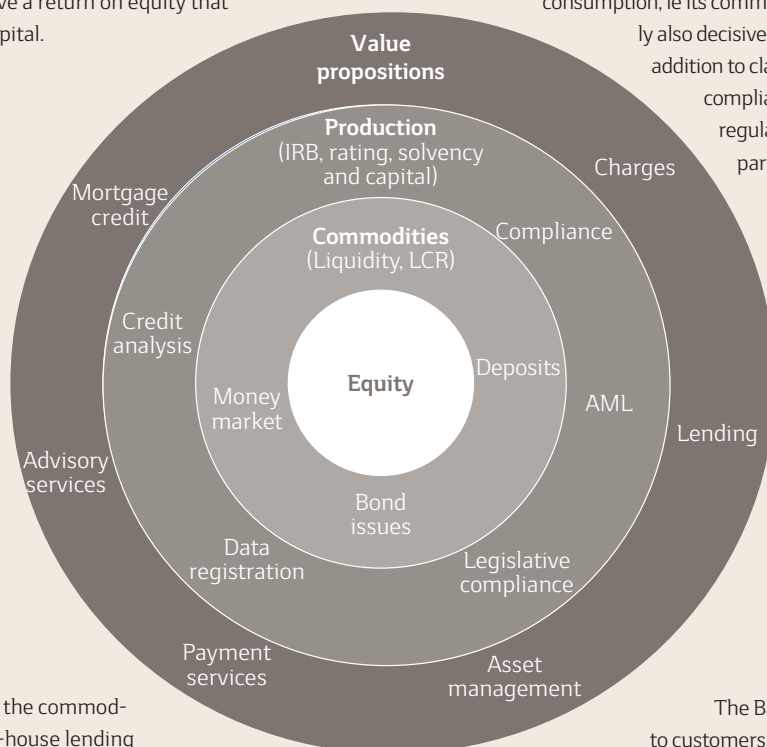
Sydbank – our way of working

Equity

At Sydbank we promise to deliver a competitive return on equity and to ensure attractive profitability to the benefit of shareholders. That's why Sydbank strives to have a return on equity that exceeds the cost of capital.

Production

Sydbank's production comprises 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 Bank's liquidity is the commodity used to produce in-house lending products. Liquidity is mainly made up of deposits but it also comprises funds available via the money market or bond issues. Being able to procure competitively priced liquidity is decisive for the Bank's competitive strength. That's why Sydbank strives to have a strong credit rating.

Value propositions

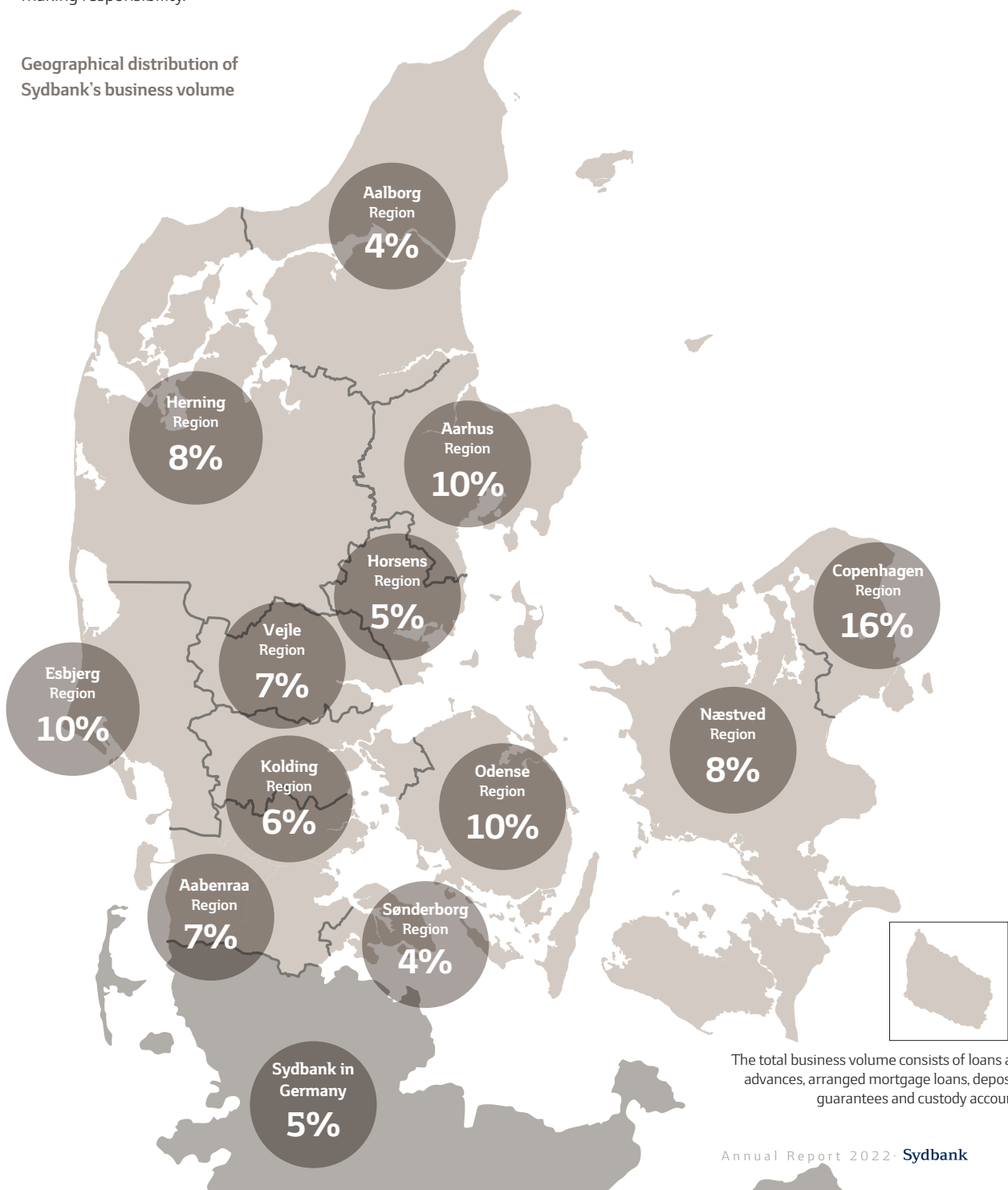
The Bank's value propositions to customers are generated by value-adding advisory services, creating long-term relationships and offerings of relevant products and services at competitive prices. Sydbank seeks to offer its products and services at prices ensuring that customers are profitable, ie that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

Local engagement

Sydbank is a nationwide bank with local roots in 12 Danish regions as well as Northern Germany, where the Bank has 3 branches. High priority is placed on being close to our customers and building long-term relationships by offering value-adding advice and by local engagement. Our decentralised organisation with a regional head office in each of the 13 regions gives our customers access to experts and ensures local and fast decision-making responsibility.

Sydbank is dependent on active local communities offering the potential to do business and generate growth. Our strong presence in local communities is therefore a key element of the Bank's fundamental values and business model.

Geographical distribution of Sydbank's business volume



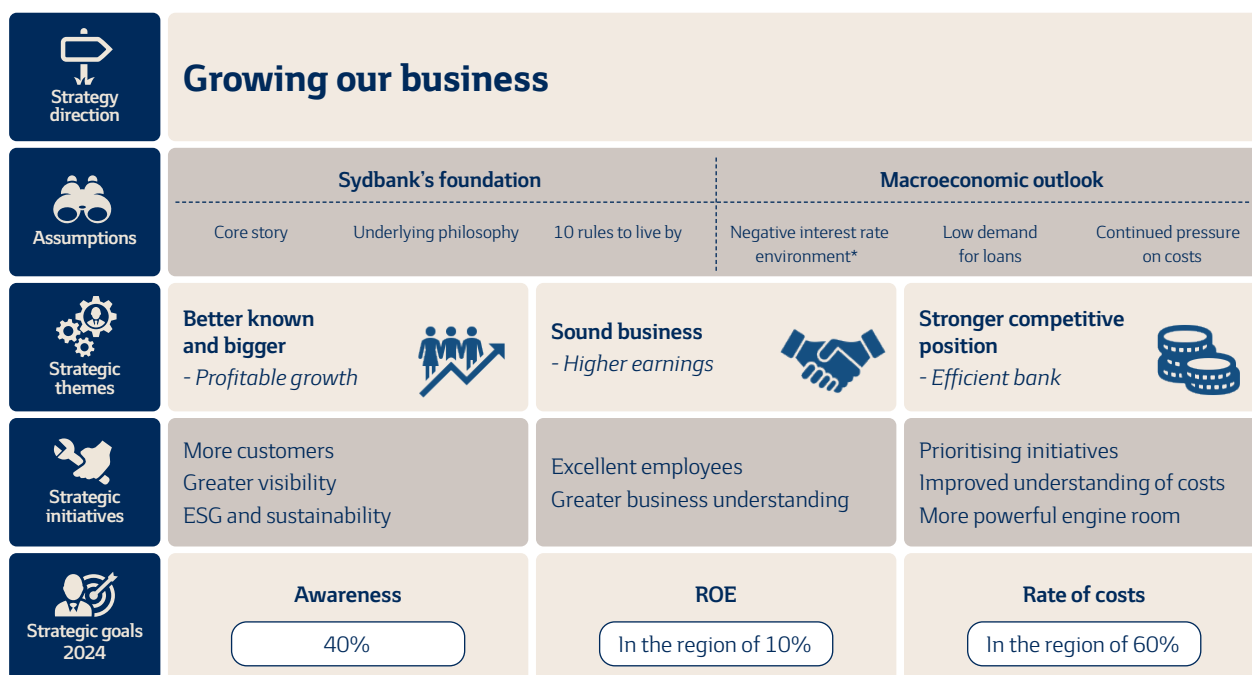
The total business volume consists of loans and advances, arranged mortgage loans, deposits, guarantees and custody accounts.

Mission Statement and Business Goals

Sydbank's strategy for 2022-2024: "Growing our business"

We will be better known, increase our earnings and continue to enhance the Bank's efficiency. The strategy is implemented via initiatives under the strategic themes *Better known and bigger*, *Sound business* and *Stronger competitive position*. We

are investing in increasing awareness to grow our business and boost earnings. At the same time we will strengthen the Bank's competitive position by means of a better balance between income and costs.



* The strategy and its objectives were formulated in 2021 when the interest rate environment was negative.

Strategic themes

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. We have a strategic goal of an unaided brand awareness of 40% by the end of the strategy period.

At year-end unaided awareness stood at 24%.

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. We have a strategic goal of a return on equity of around

10% by the end of the strategy period – based on a normalised level of impairment charges. The goal was set in the context of negative interest rates.

In 2022 return on equity stood at 14.8%.

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. We have a strategic goal of a rate of costs of around 60% by the end of the strategy period.

In 2022 the rate of costs stood at 55.5%.

The Bank's value propositions

Sydbank's value propositions focus on value-creating advisory services based on customer needs. Therefore we ask "What can we do for you?" and provide advice tailored to the individual customer's needs and demands for the Bank's products and services.

The value propositions, including providing correct advice, are expressed in the statement: 'Excellence and relationships create value'. The Bank's highly skilled employees are close to the customers and understand their needs. The Bank's organisation ensures high accessibility and easy access to decisions so we can act quickly. By being seamless and direct in its cooperation the Bank creates value for its customers.

Sydbank has a unique position and size in the Danish banking sector as it is both close to its customers and can benefit from economies of scale. Sydbank aims to conduct banking transactions that benefit the Bank as well as its customers – this is sound business practice to us.

The Bank's customers

The Bank aims to have a diversified customer portfolio with only few large exposures and diversification across industries corresponding as much as possible to the Danish corporate structure. The Bank's customer portfolio can be divided into the segments: corporate clients, Private Banking clients and retail clients, and institutional clients.

Sydbank has succeeded in building relationships in particular as regards the backbone of the Danish corporate sector – medium-sized and large enterprises – and by developing expertise among its employees, the Bank has secured a strong position as a full-service corporate and advisory bank offering a wide variety of professional financing solutions tailored to the requirements of the individual business.

The Bank strives to have a continued increase in customers primarily with the following profiles:

- Medium-sized or large enterprises in the SME segment with growth potential
- Retail clients with healthy finances
- Young customers with prospects
- Wealthy retail clients

Satisfied customers

Sydbank operates its business with the promise that customers can always be confident that we offer advice that adds value for them. We do not take this trust for granted, which is why

we monitor the industry's surveys of customer satisfaction within the corporate, Private Banking and retail segments. The surveys are conducted by Aalund, Prospera and EPSI and enable us to identify how we can become an even better bank for our customers. In 2022 our scores in relation to comparable banks in Denmark are shown in the figure below.



The group of comparable banks are: Danske Bank, Jyske Bank, Nordea, Spar Nord and Nykredit Bank. Spar Nord is only included as regards Corporate and Retail.

Retail clients' satisfaction with Sydbank is not at the desired level. Consequently in 2022 we launched a series of measures to improve customer satisfaction. All retail clients are now offered a permanent adviser at the branch closest to their address. We have initiated our own regular surveys of retail clients' satisfaction with the Bank. These surveys enable us to monitor developments locally in the Bank's branches and act on the ongoing feedback from customers.

Business partners

Sydbank cooperates with a number of business partners to ensure that our 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.

Mission Statement and Business Goals

Corporate

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

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 enterprises 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

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.

Leasing

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 branches.

Private Banking

Private Banking strives to provide competent and relevant advice at any stage in life. A customer's life goals are key to the advice offered focusing on wealth optimisation and investments. As a result the Bank focuses on long-term and value-creating relationships with each customer.

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.

Each of the Bank's 13 regions has a physical Private Banking and investment department. Advisory services are provided by dedicated Private Bankers who are assisted by a team of experts tailored to the specific requirements of the individual customer. The entire team offers advice on optimising wealth in relation to pensions, investments and a range of other financial issues.

Investments are important to Private Banking clients. Therefore access is given to the investment universe, investment reports, news and research. 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.

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 various customer segments. The Bank cooperates with a number of sub-suppliers in the investment fund area, eg Sydinvest, BankInvest, Sparinvest, ValueInvest and Maj Invest.

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.

Retail

Sydbank is a bank for retail clients who value sound advice about their personal finances. We believe in long-term relationships with our customers – relationships that help to give us a better insight and understanding of their situation.

The Bank's retail clients are assigned a personal adviser in a physical branch close to their home address, unless the customer actively decides to receive advice through Sydbank's digital branch – Advisory Online.

Sydbank is a bank – pure and simple. Backed by the best business partners we can offer our retail clients a full product range covering daily finances, pension, insurance and mortgage credit. We believe this will produce the most competitive and up-to-date solutions for our retail clients.

Retail clients can contact Sydbank through many channels. We are where our customers are and are accessible when we are needed. Therefore retail clients can get in contact with an adviser 7 days a week. Sydbank's advice to retail clients is always – regardless of the choice of channel – competent and attentive based on customer needs.

Advisory Online

Advisory Online is the Bank's take on the digital bank branch of the future. Retail clients who do not wish to use the classic bank branch can use Advisory Online, which offers advice, products and services to the same extent as a local branch – only digitally.

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 objectives 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.

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.

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 that investors gain an insight into the Bank's strategy, business model and results.

Sydbank takes part in investor presentations, investor conferences and roadshows where institutional investors can engage in dialogue with management and gain an insight into the Bank's development. All the Bank's shareholders can get a fuller picture of Sydbank via the Bank's website, sydbank.com, where also company announcements, interim reports and annual reports 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.

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.

At the Annual General Meeting on 24 March 2022 the Board of Directors was authorised to acquire shares at a total value of up to 10% of the Bank's share capital. The price paid for shares may not differ by more than 10% from the price quoted on Nasdaq Copenhagen at the time of purchase. The authorisation is effective until the next annual general meeting on 23 March 2023.

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 to perform board duties are determined in connection with the evaluation. Following this an evaluation is made as to which qualifications are present in order to identify 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 evaluation are presented for discussion by the full Board of Directors.

The Board of Directors' self-evaluation for 2022 has been carried out. The process of carrying out the self-evaluation involved 6 steps, see the figure below. Based on Sydbank's business model the main conclusions 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 are considered to be covered

Other directorships held by the Board of Directors can be seen on pp 150-155.

Board committees

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

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

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

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.

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.

Board of Directors – self-evaluation



Organisation and Corporate Governance

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 2022.

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, ESG, 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 4 times in 2022.

Committee members: Henrik Hoffmann (Chairman), former head of credits; Janne Moltke-Leth, former 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 updates the Bank's remuneration policy and decides which of the Bank's functions are covered by the concept of "material risk takers". In the event of amendments adopted by the Board of Directors the remuneration policy will be presented for adoption at the general meeting. The Remuneration Committee ensures that the remuneration policy in force is complied with.

Legislation requires that the Remuneration Committee review information about remuneration issues, 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 twice in 2022.

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 ensures updating of the Bank's 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 3 times in 2022. The second and third meetings were combined for timing reasons.

Committee members: Janne Moltke-Leth (Chairman), former 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.

Attendance/number of meetings – Sydbank’s Board of Directors

2022	Board of Directors	Audit Committee meetings	Risk Committee meetings	Remuneration Committee meetings	Nomination Committee meetings	Digitization Committee meetings
Lars Mikkelsen-Jensen (Chairman)	22/23		4/4			6/6
Jacob Chr. Nielsen (Vice-Chairman)	22/23	6/6			3/3	
Janne Moltke-Leth	21/23		4/4		3/3	
Susanne Schou	23/23				3/3	6/6
Gitte Poulsen	22/23	6/6		2/2		
Jon Stefansson	23/23		4/4	2/2		
Søren Holm	23/23	6/6				6/6
Henrik Hoffmann	21/23		4/4			
Carsten Andersen	23/23	6/6				
Kim Holmer – resigned	5/5					
Jarl Oxlund	22/23					6/6
Jørn Krogh Sørensen	23/23			2/2		
Pia Wrang – new member	17/18					

(attendance/number of meetings)

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 6 times in 2022.

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.

Group Executive Management

The Group Executive Management is appointed by the Board of Directors and consists of 3 members: 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 working in accordance with the guidelines and instructions issued by the Board of Directors. The distribution of duties between the Board of Directors and the Group Executive Management is laid down in the rules of procedure of the Board of Directors.

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

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

Other directorships held by the Group Executive Management can be seen on pp 156-157.

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.

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 and from an annual remuneration report which is presented to the general meeting for an advisory vote.

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

A Decent Bank

Trust in the financial sector is essential for growth in society. Sydbank is one of Denmark's largest banks and given its SIFI label our role in society involves a responsibility to make a positive contribution to developments.

The classic business model for banks is concerned with optimising risk management when short-term deposits are converted to long-term loans. This remains the cornerstone of Sydbank's business model, which is described in more detail on page 32.

Through decency and due care we will ensure that Sydbank continues to be a well-run and solid bank which actively shares the responsibility for financial stability in Danish society. The Bank's policies ensure a foundation for good governance concerning sustainable decisions in relation to the environment, social issues and employee issues, respect for human rights as well as anti-corruption and bribery.

See Sydbank's policies at sydbank.com.

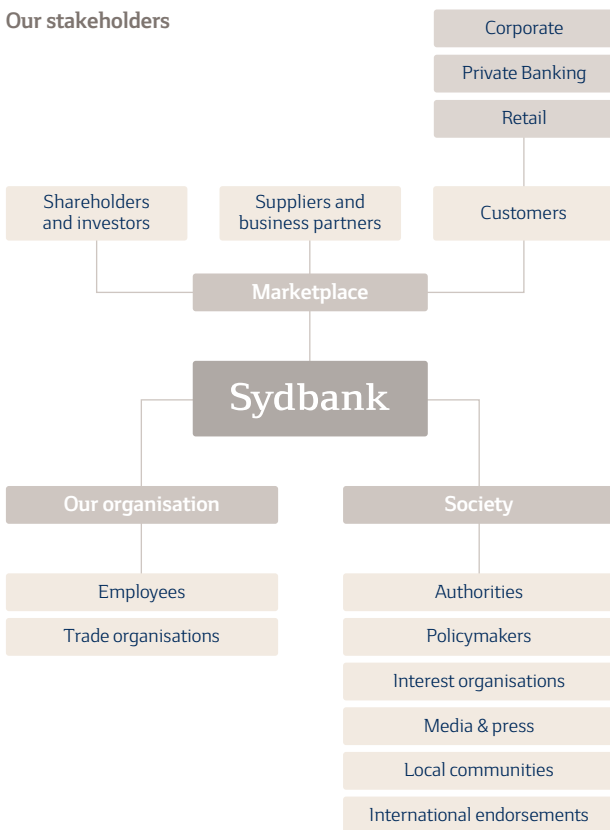
Our stakeholders

Sydbank's existence and development 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.

Local support

Local roots and building long-term relationships in the local communities are key elements in Sydbank's business model. This is why having a strong presence in local communities is a central element in terms of our activities regarding sponsorships, partnerships and fund donations. Further information about fund donations is available at sydbank.dk/omsydbank/sponsor and sydbank.dk/omsydbank/fonde (in Danish only).

Our stakeholders



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 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.

For further elaboration reference is made to "Notes – Risk Management" on page 132.

Compliance

Compliance is an independent division reporting directly to the Group Executive Management. The Bank's Data Protection Officer (DPO) is part of the division. For information on the DPO, reference is made to page 45.

Using a risk-based approach, Compliance supervises and assesses whether the Bank's business areas 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. 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 controls carried out as well as whether appropriate measures have been implemented. Compliance submits quarterly reports of its most significant activities to the Bank's Board of Directors and Group Executive Management.

Sydbank has established a compliance committee which discusses current compliance risks and measures to implement regulatory requirements. The Bank's Risk Executive (Group Executive Management member) chairs the committee. The committee also consists of relevant group executive vice presidents (or their representatives) as well as the Bank's DPO.

All relevant employees at Sydbank receive mandatory training on an ongoing basis in selected topics to ensure that they are familiar with the cornerstones that help to guarantee decency and compliance at the Bank.

In addition Compliance is responsible for the assessment of new products and services in terms of risk. Sydbank's product approval procedures are described in more detail on page 47.

Internal Audit

To gain an objective and independent assessment of the adequacy, effectiveness and quality of Sydbank's internal controls, the Bank 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, that there are business procedures and internal controls for all important areas of activity, that management's requirements as to security and controls are incorporated into business procedures and are observed and that there are prudent control and security measures within IT.

ESG governance

As one of Denmark's largest banks, Sydbank has a responsibility to make a positive contribution to developments in society so that together we can ensure a more sustainable future for the next generations. We take this responsibility seriously.

5 focus areas and their objectives



* Whereas CO₂ only refers to carbon dioxide, CO₂e also includes various greenhouse gases (Kyoto gases) such as methane.
 ** The calculation of the CO₂e footprint includes our investments in shares and corporate bonds. Investment activities within government and mortgage bonds are not included.
 *** Scope 1 and scope 2 according to the GHG Protocol, WBCSD, 2021.

A Decent Bank

ESG issues along with sustainability are included as a separate strategic initiative in Sydbank's strategy for 2022-2024.

As a result focus is on incorporating ESG issues and sustainability in the Bank's products and processes. The strategy is described in greater detail on page 34.

5 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. Sydbank focuses on 5 strategic focus areas where we believe we can make the greatest difference. The Bank has set objectives for the 5 strategic focus areas.

Sydbank's ESG and sustainability policy sets the overall framework for the Bank's ESG and sustainability efforts. The Bank's 5 strategic focus areas are described in more detail in the policy.

All relevant employees at Sydbank receive mandatory training in sustainability on an ongoing basis. The training provides insight into and knowledge of sustainability in the financial sector as well as Sydbank's ESG and sustainability efforts. In addition to training in sustainability the Bank's employees receive continuous training supporting a decent bank. Sydbank has set a goal for the completion rates, which are described in more detail on page 55.

Organisation and management

The Board of Directors is responsible for the Bank's strategy and objectives for ESG and sustainability. Consequently it is a requirement that qualifications or practical experience in ESG and sustainability are present on the Board of Directors and the Board of Directors' Audit Committee.

The Group Executive Management is responsible for the Bank's ESG and sustainability efforts. In practice this responsibility has been delegated to Sydbank's ESG forum, which consists of Sydbank's CEO as well as group executive vice presidents (or their representatives) from the relevant areas in the Bank. The forum ensures dialogue and the exchange of ideas on objectives for the 5 strategic focus areas and gives priority to initiating activities within ESG and sustainability.

The day-to-day activities concerning ESG and sustainability are carried out in the Bank's business units and business areas. These activities are wide ranging, which is why an ESG working group has been set up that focuses on the exchange of ideas and knowledge sharing across the Bank's areas. The group includes relevant employees whose daily work involves ESG

and sustainability in the Bank's business units and business areas. The coordination of day-to-day activities, including the Bank's legislative compliance and compliance with reporting obligations, is the responsibility of Secretariat, Strategy & ESG.

Sydbank is a member of several working groups across the financial sector to promote a common interpretation and understanding of sustainability efforts in the sector but also to create transparency and comparability in reporting on ESG issues and statutory requirements. As an example Finance Denmark has set up several working groups concerned with sustainability in the finance sector. As a member of Finance Denmark, Sydbank is an active participant in working groups relating to ESG issues and CO₂e footprint calculation as well as working groups concerning sustainable regulation and reporting, sustainable finance and sustainable investments. In addition Sydbank is a member of an ESG working group set up under the auspices of National Banks in Denmark.

Sustainable endorsements

In order to strengthen Sydbank's ESG and sustainability efforts the Bank complies with several international and national initiatives, principles and guidelines. A few of these are described below.

Finance Denmark is one of the most important interest organisations for Sydbank. Finance Denmark has set up the Forum for Sustainable Finance, which has published 20 recommendations on how the finance sector can contribute to a sustainable transition. As a member of Finance Denmark, it is our ambition to comply with the recommendations aimed at the finance sector.

Sydbank joined the UN Global Compact in 2020 and as a result Sydbank has undertaken to adhere to the 10 principles of the Global Compact and to report on its compliance with the principles on an annual basis.

Sydbank signed the UN Principles for Responsible Banking in 2020 and as a result Sydbank has undertaken to incorporate the 6 principles for responsible banking within a period of 4 years and to report on a regular basis on its progress. See Sydbank's reporting on integration of the principles at sydbank.dk/omsydbank (in Danish only).

In addition Sydbank follows and supports the UN Sustainable Development Goals, the Paris Agreement, the OECD Guidelines for Multinational Enterprises and ILO conventions on dignity of workers.

Data processing and information security

Ongoing efforts are made to ensure that we comply with applicable legislation on information security and data protection, including as regards personal data. Our customers must be able to trust that their data and information are processed in a confidential, secure and safe manner.

Data protection

Sydbank has a GDPR department that analyses the Bank's processing activities to continuously improve and optimise processes and thereby avoid errors. The department is responsible for day-to-day operations, including to protect and respect the rights of our customers.

To ensure that Sydbank complies with the personal data rules, all relevant employees receive mandatory training at appropriate intervals in the processing of personal data in accordance with the General Data Protection Regulation.

Information on how Sydbank processes personal data is available at sydbank.dk/persondata (in Danish only).

Data Protection Officer

Sydbank complies with the General Data Protection Regulation, which contains requirements as to how businesses store and process personal data. In this connection Sydbank has appointed a Data Protection Officer (DPO), who is part of the division Compliance.

The tasks of the DPO are to advise Sydbank on personal data matters as well as monitor and assess whether the Bank complies with the rules regarding personal data. In addition the DPO serves as the point of contact for the Danish Data Protection Agency as well as the persons about whom Sydbank has registered information.

Sydbank's DPO reports to the Bank's Board of Directors and Group Executive Management quarterly. The reports and the current risk scenario in relation to 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 and are perceived as a respected, competent and decent business partner. Customers and the surrounding world must have confidence in Sydbank's processing and storage of data.

Sydbank's data ethics policy is based on the personal data that we store and process but the policy also applies to other

data processed by Sydbank. The data ethics policy describes the Bank's work related to data ethics, including its approach to sound data ethics and the principles governing ethical, responsible and transparent data processing.

All employees at Sydbank are responsible for ensuring that Sydbank processes data in an ethically correct manner. The day-to-day activities concerning data ethics are carried out in the Bank's business units and business areas, and activities concerning data ethics are operationalised through internal policies and business procedures. We strive to improve our data processing on an ongoing basis and we also collaborate with authorities within this area.

Information security

Cyberattacks are a threat to our business and the stability of society as virtually all the Bank's business activities involve IT. Information security is therefore a high priority.

Sydbank's approach to information security is an approach ensuring that we comply with legislation and implement recommended measures. Furthermore operational security is strengthened on a continuing basis where focus is on making it difficult for hostile persons to access our systems and preventing them from doing so. The most important risks concerning IT breakdowns and cybercrime are minimised via compliance with Sydbank's internal contingency policy, its internal IT risk management policy and its internal IT security policy. In order to be well prepared in case of a security breach, Sydbank has an operational contingency plan in place, including guidelines for recovery of lost data and accessibility.

Sydbank takes part in the Danish central bank's Threat Intelligence Based Ethical Red Teaming (TIBER-DK), which is a programme to test the critical parts of the financial infrastructure. TIBER-DK aims to increase the cyber resilience of the financial sector and promote financial stability.

To strengthen the Bank's cyber resilience all relevant employees at Sydbank receive annual mandatory training in themes within information security. The themes include the methods used by criminals and information on how employees should respond in case of a security breach.

Efforts to fight crime and corruption

Money laundering and terrorist financing

At Sydbank we are mindful of the risk that the Bank could be used for money laundering and terrorist financing and as a result efforts are made on a continuing basis to strengthen

A Decent Bank

preventive measures. To ensure focused and efficient efforts to combat money laundering and terrorist financing, Sydbank has established a strong governance structure in this area.

Sydbank has appointed an AML Executive (Group Executive Management member), who also chairs the Bank's AML Committee. The AML Committee discusses the Bank's efforts to combat money laundering and terrorist financing and consists of group executive vice presidents (or representatives appointed by them) of the divisions with tasks within this area. The AML Risk Management department, which is headed by the risk officer as regards AML, reports on a regular basis to the AML Executive and the AML Committee when new risks are identified at the Bank. The overall progress in this area at the Bank as well as in society is reported. Furthermore AML Risk Management carries out a number of controls to ensure compliance with applicable legislation and the Bank's business procedures. The KYC Support department ensures that appropriate measures are implemented to address risks identified and assessed by AML Risk Management.

Every year Sydbank prepares a risk assessment in which 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 could 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. The policy is accompanied by an appendix regarding the Bank's risk tolerance in this area. The policy sets out the overall framework for the procedures, business procedures, job descriptions and controls to minimise the Bank's risk of being used for money laundering and terrorist financing.

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, for instance Finance Denmark, in order to gain knowledge about suspicious transactions and financial crime.

In 2019 the financial sector adopted 6 principles of conduct to ensure a healthy corporate culture with regard to preventing money laundering and terrorist financing. Sydbank continues to comply with the principles of conduct, which aim to ensure transparent and improved joint efforts in this area. One of the principles is that we must be able to stand up to scrutiny. As a result Sydbank's efforts to combat money laundering and terrorist financing, including its efforts concerning the principles of conduct, are described in more detail at sydbank.dk/omsydbank/aml (in Danish only).

To reduce the risk of the Bank being used for money laundering and terrorist financing, all relevant employees at Sydbank receive annual mandatory training in the prevention of money laundering and terrorist financing.

Russian invasion of Ukraine

In the efforts to prevent the Bank from being used for money laundering and terrorist financing, all transactions are monitored and screening of foreign transactions against existing EU, UN and OFAC sanctions lists is carried out. A special focus area in 2022 was the war in Ukraine and the many sanctions imposed on Russia. Despite the massive sanctions against Russia Sydbank's existing customers were still able to conduct transactions to and from Russia. The transactions are however checked beforehand to ensure that Sydbank and customers comply with the sanctions in place. In addition considerable focus has been on ensuring that sanctioned securities have not been traded via Sydbank and deposits from Russian citizens have not been accepted.

Anti-corruption and bribery

Danish society is characterised by a very low rate of corruption and bribery. Sydbank's primary business area is Denmark and consequently the occurrence of corruption and bribery is assumed to be low. However the risk of corruption and bribery can never be ruled out and therefore a series of measures have been implemented at Sydbank aimed at ensuring that the Bank's employees are not exposed to or involved in corruption or bribery.

Sydbank disapproves of any form of corruption and bribery and does not tolerate its existence neither in relation to public authorities, business connections, business partners nor otherwise.

The efforts to prevent corruption and bribery are laid down in a number of policies which together with underlying internal rules and procedures help to ensure decency both in relation to customers, authorities and business partners. In order to underline Sydbank's position and disapproval of corruption and bribery, a separate anti-corruption and bribery policy was formulated in 2022. Here employees as well as other stakeholders can find information about the conduct that can be expected of the Bank in this area.

To increase awareness of and prevent corruption and bribery all relevant employees at Sydbank receive mandatory training in compliance issues, including selected topics regarding the prevention of corruption and bribery.

Sydbank's whistleblower scheme

At Sydbank we will do business in an ethical and responsible manner. This is why we have decided to upgrade our mandatory internal whistleblower scheme to a portal on Sydbank's website that Sydbank employees as well as external parties have access to. Here everyone can report potential offences or similar material violations of Sydbank's fundamental values and code of conduct.

All reports are treated in the strictest confidence and in accordance with applicable personal data legislation. The whistleblower scheme is initially managed by a third party – law firm Poul Schmith/Kammeradvokaten – which screens reports after which they are sent to the Bank's Head of Compliance.

Taxation

We take our responsibility as regards tax reporting and payments seriously as tax payments represent the foundation of our welfare society and this area is of great significance to the Bank's stakeholders and its business. It is important for Sydbank that it can explain and defend its tax-related transactions in terms of its stakeholders. This is why for instance Sydbank has no activities in countries included on the EU's list or the OECD's list of tax havens.

Sydbank collaborates and has an ongoing dialogue with the Danish Tax Agency via for instance Tax Governance to ensure that the Bank's work related to taxation is carried out in an orderly manner.

Sydbank's tax policy determines the framework for the Bank's conduct in the area of taxation in relation to its own tax affairs as well as those of its customers and business connections. Sydbank's Board of Directors is responsible for the tax policy.

Consumer protection and product management

Sydbank strives to ensure that its customers make their decisions on an informed basis and are afforded the protection they are entitled to as consumers. These consumer protection elements are incorporated in the Bank's policies and procedures.

Sydbank builds on relationships between people and in this context trust plays a major role. This is why Sydbank has product approval procedures and product governance measures in place so that the Bank does not recommend problematic products to its customers. Continuous training and tests in product knowledge help to support the measures in this area.

The Bank's Group Executive Management approves all new products and significant changes to existing products in compliance with legislation. The basis for the approval is a description of the product and its characteristics accompanied by a risk assessment prepared by the business units Compliance and Risk as well as other relevant parties. If the risk assessment so requires, any necessary adjustments are made before the product is launched.

Fighting IT fraud

Unfortunately IT fraudsters exploit every opportunity to trick money out of the Bank's customers and this is why considerable efforts are made to protect customers and society from IT fraudsters. Sydbank has a fraud department that monitors and stops suspicious payments and online banking intrusion, processes cases involving card misuse and provides information in connection with cases regarding fraud and other criminal activity. In various media and on our own digital channels and platforms such as "Pengeliv" on sydbank.dk, information on fraud is provided on an ongoing basis and advice is offered on how to avoid fraud. In 2022 Sydbank also gave a series of talks called "Stop svindlerne" (Stop the fraudsters) in collaboration with the DaneAge Association to better equip older people against IT fraud.

Sydbank is subject to MiFID II's product governance rules. This means that all the investment products offered by the Bank must have a defined and specific target group. Ongoing internal controls and monitoring are carried out by Sydbank's product management committee and aim to ensure that the Bank offers the right products to the right target groups and that the products continue to meet customers' requirements. If a product no longer meets customers' wishes or requirements necessary measures are implemented.

Financial literacy

Sydbank wants to help young people so that they are well equipped to make financial decisions and are inspired to live in a financially responsible manner. This is why Sydbank participates in Money Week organised by Finance Denmark every year where the country's 7th, 8th and 9th grade students can take part in classes to give them basic financial skills and learn more about the importance of saving up, budgets, the characteristics of instant loans etc. In addition a number of our branches visit local educational institutions and give talks on healthy finances, independence and career opportunities in the finance sector.

A Decent Bank

Healthy corporate culture

As payment service providers, credit intermediaries and investment intermediaries, banks play a key role in society. Consequently society rightly expects that banks, including Sydbank, will fulfil their role prudently.

Sydbank's policy for healthy corporate culture has been formulated to ensure that Sydbank has a healthy corporate culture also going forward. The policy sets the overall framework for ensuring a healthy corporate culture by means of risk awareness, appropriate conduct and open communication.

A healthy corporate culture is far-reaching and requires constant attention and efforts across the entire organisation. The Bank's policies, business procedures and job descriptions contain more detailed descriptions of the expectations of the Bank's employees. The CEO reports on a regular basis and at least once a year to the Board of Directors on the implementation of and compliance with the policy. Conditions supporting the healthy corporate culture at the Bank are measured as part of the employee engagement survey which is conducted every other year.

Sydbank's code of conduct sets out the general guidelines for Sydbank's business conduct and applies to management and all employees. The code of conduct provides the Bank's stakeholders with information on what they can expect of Sydbank in relation to customers, the marketplace and society in general. The code of conduct emphasises that the Bank's conduct must be characterised by responsibility, decency and respect for others. Human rights and workers' rights are also integrated in policies applying to the Bank's most important business areas, namely lending and asset management. For more information about these rights, reference is made to the section "ESG in Core Business".

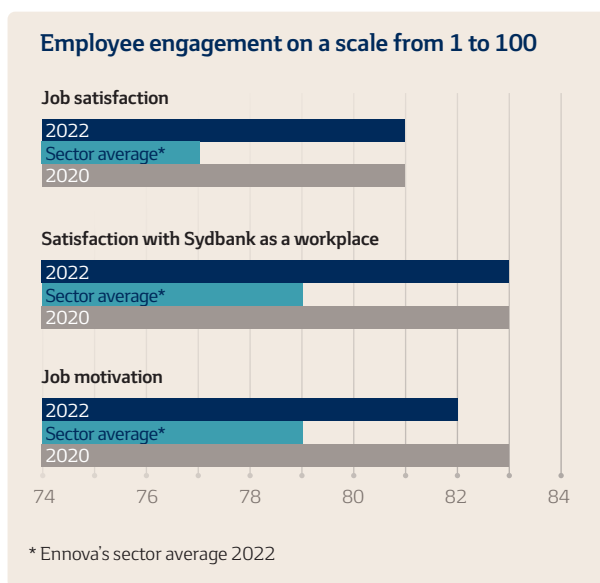
Responsible employer

Well-being and security for employees

Sydbank seeks to offer its employees a healthy and attractive work environment and working conditions that allow for professional skills development and further training. We want to be a bank with excellent and committed employees. Therefore employees are asked about their engagement and job satisfaction in a comprehensive engagement survey every other year. The survey helps us to evolve as a workplace. We will continue to work on maintaining the high level of employee engagement and therefore Sydbank has set an objective for its employee engagement to be top-in-class among financial institutions.

The Bank will continue to have highly skilled employees – a goal that is achieved via training and recruitment. The Bank's employees are motivated to improve their skill set on an ongoing basis and the Bank offers in-house and external education and training activities.

Discrimination, bullying and harassment are not tolerated at Sydbank but the possibility remains that unacceptable behaviour can occur. Consequently, as a special focus area in 2022, Sydbank worked on identifying and preventing online harassment. Online harassment is when the telephone, emails, social media or websites are used to harass an employee. Sydbank's working environment committee is working on implementing mitigating measures when an employee has experienced harassment. Openness and dialogue are keywords in this respect.



Unfortunately conflicts and unpleasant confrontations occur occasionally between employees and the Bank's customers whose expectations have not been met. These situations can affect employees' physical and emotional well-being – in some instances so severely that the consequences are considered a work-related injury. In 2022 the Bank reported 16 work-related injuries and 13 unpleasant customer experiences.

The overall guidelines regarding employee matters are set out in the training policy, the health policy, the policy for healthy corporate culture and the staff manual.

Diversity

At Sydbank we believe that diversity among managers and employees creates the best results. In order to increase the

percentage of the underrepresented gender, the Bank has formulated a policy for the underrepresented gender at board level and other management levels. Sydbank's overall objective is to achieve an equal gender balance among all managers. The Bank has set a goal that women will account for at least 35% of all managers at the Bank in 2025. Sydbank will seek to achieve this goal in connection with the recruitment of new managers as well as by supporting more broadly the development of existing employees. At the end of 2022 the share of women in management positions was 31.8%.

Organisational composition	2022
Average number of employees (FTEs)	2,072
Number of employees in flex jobs	15
Employees in management positions (%)	13.0
Absence due to sickness (%)	3.5
Employee turnover rate (%)	14.0
Women board members (%)	37.5
Women group executive management members (%)	33.3
Women in management positions (%)	31.8
Gender balance (M/F) among employees (%)	50/50
Pay gap between CEO and employees (times)	14.2
Pay gap between men and women across Sydbank (times)	1.2

Sydbank complies with the recommendation of the Committee on Corporate Governance that once a year the Board of Directors discusses activities to ensure diversity. Women are underrepresented on Sydbank's Board of Directors and therefore the aim of the Board of Directors is that women will represent at least 30% of shareholder-elected board members. At the end of 2022 Sydbank's Board of Directors consisted of 8 shareholder-elected members. Of these, 3 are female and 5 are male. The defined target figure has therefore been met.

Sydbank does not wish to discriminate on pay. We strive to ensure that a salary is fair and appropriate according to the work to be performed and an employee's qualifications. There are several professional groups at the Bank where one gender is overrepresented. The gender balance in the various professional groups and positions affects the pay gap at Sydbank. When looking at a few large professional groups, there are instances where the median salary for women is equivalent to or higher than the median salary for men but the overall picture is that the median salary for men is higher. In 2022 the median salary for men was 1.2 times higher than the median salary for women.

Responsible climate footprint

Ambition and objective

Sydbank will be respectful of the environment in all aspects of its business and make a positive difference in order to reach its own, national and global climate targets. We optimise energy efficiency on an ongoing basis to reduce the Bank's consumption and high priority is given to ensuring transparent reporting of our CO₂e emissions. Consequently our CO₂e accounts are based on the Greenhouse Gas Protocol. Sydbank's target is a 75% CO₂e reduction from its own operations (scope 1 and scope 2) in 2030 compared to the CO₂e footprint in 2019.

Monitoring of energy consumption

Sydbank's goal to reduce CO₂e emissions from its own operations and thereby lower actual consumption requires insight into the Bank's energy consumption.

Since 2004 the Bank's energy consumption has been monitored via the energy management tool App.KeepFocus. Energy consumption is monitored on an hourly basis as regards 95% of the Bank's building stock via this tool, which gives an overview of energy used at the Bank and sends a warning if there are variations in readings. More than 1,100 alarms are linked to the system and we receive energy consumption warnings of eg a constantly high consumption or technical warnings in case of insufficient data. The tool is set up so that our consumption can be calculated according to the Greenhouse Gas Protocol.

With very few exceptions Sydbank's consumption has been on the decline since 2012. In 2022 Sydbank lowered its CO₂e emissions by 7.7% compared to 2021 (location-based calculation). The reduction is primarily attributable to an improvement in energy efficiency by means of a number of energy-related initiatives.

Renewable energy sources and energy optimisation

The use of renewable energy sources is essential in order to achieve Sydbank's target concerning the CO₂e reduction from its own operations. Consequently during the period from 2020 to 2022 Sydbank set up solar cell systems at the Bank's head office in Aabenraa and at the regional head offices in Slagelse and Esbjerg. The electricity generated from the solar cell systems represents 7.2% of Sydbank's total power consumption.

Sydbank does not regard climate compensation as a first choice or licence to emit CO₂e. First and foremost the Bank strives to reduce its emissions as much as possible by means of measures that reduce actual consumption. So carbon offsetting is not a long-term solution but an existing alternative aid. Sydbank

A Decent Bank

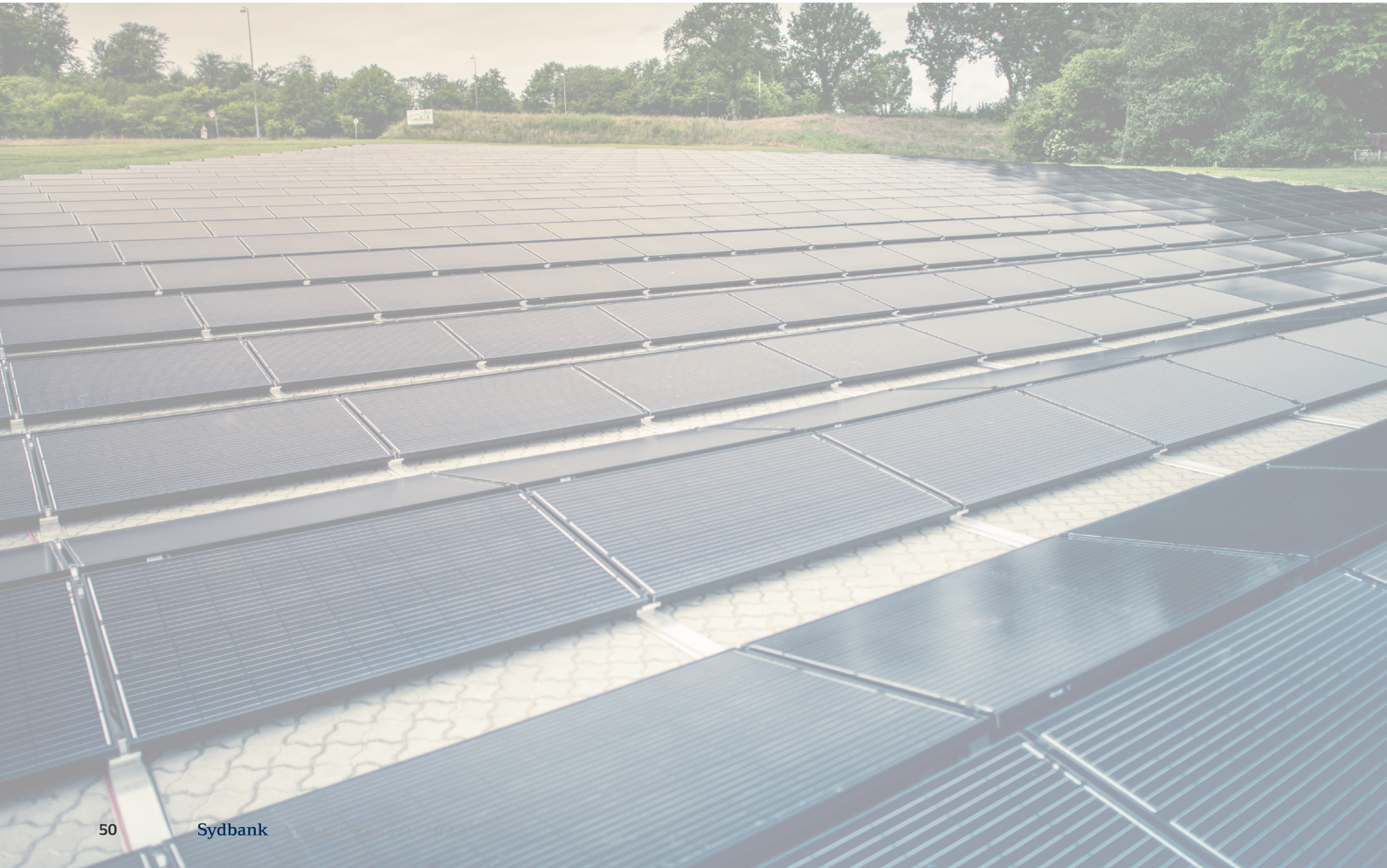
buys electricity generated by Danish wind turbines to offset its consumption of conventional power. The purchase of renewable wind energy includes individual declarations providing documentation that the electricity purchased is generated by Danish wind turbines. Furthermore the declarations specify that the electricity purchased comes from Danish wind turbines that are between 2 and 10 years old. By setting an age requirement for the wind turbines it is hoped that Sydbank can help to promote the use of renewable wind energy.

Energy optimisation is a necessary tool to lower the Bank's actual consumption. As a result light sources covering an area of 5,500m² at Sydbank were replaced with sensor activated LED lighting in 2022. The total area with LED lighting currently represents 60% of the Bank's building stock. We have also implemented new technologies that help to improve energy efficiency. The new technologies include central ventilation and heat control (building management system), cooling systems as well as more energy efficient computer screens.

Sydbank's energy saving measures to reduce the Bank's actual consumption and by extension its CO₂e emissions will continue in 2023.

Reuse of IT hardware

Sydbank collaborates with IT company Codeex to minimise the disposal of IT hardware and ensure that resources and products are used more effectively. In 2022 Sydbank's reuse of IT equipment reduced CO₂e emissions into the atmosphere as the Bank sent 99 screens and 978 computers to be reused. 80% of the screens and 97% of the computers were given a new lease of life.



ESG in Core Business

At Sydbank strong focus is on integrating ESG into its core business because we believe that the Bank will achieve the greatest long-term value when our ESG efforts are business driven. Consequently embedding ESG into the Bank's products and processes represents a significant strategic initiative. There are no easy solutions if ESG is to be integrated properly and therefore we believe that the long haul will create the greatest lasting effect.

In its action plan to finance sustainable growth, the EU has given the financial sector 2 overall tasks in the ESG area: to include ESG in financial decision-making and to reorient capital flows towards a more sustainable economy. These tasks emphasise the importance of Sydbank's efforts to incorporate ESG into its core business, namely responsible finance in the Bank's lending and responsible investment in the Bank's asset management.

Data quality and data availability are crucial elements in the efforts to integrate ESG into core business activities. Constant focus is on improving underlying ESG data to ensure the quality of data required by increasing regulation, markets and our own needs. Sydbank is working on establishing its own data warehouse to manage ESG data to allow synergies across the business and to improve data quality and data availability.

Responsible finance

Through decency and systematic procedures Sydbank will ensure that it continues to be a well-run and solid bank with a responsible approach to financing to the Bank's customers. The Bank's sensible and cautious approach as regards lending supports a high credit quality. Our creditworthiness assessments ensure that customers can afford to take out a requested loan and are not placed in an unsustainable financial situation due to money owed to Sydbank.

Sydbank's first green bond issuance

Sydbank wants to help give its investors the possibility to finance the green transition. In September 2022 Sydbank made its first green bond issuance on the basis of the Bank's Green Bond Framework, which was approved in May 2022. Sydbank's Green Bond Framework contains 5 possible lending categories: renewable energy, green buildings, clean transportation, sustainable use of natural resources as well as recycling and sustainable production. In connection with the green issuance Sydbank has committed to the following: that within 36 months the issuance will be allocated to loans that are in compliance with the Bank's Green Bond Framework.

During 2023 Sydbank will prepare the first report on the impact and allocation of the issuance and as a result the green issuance imposes new demands as to data.

Green lending

We wish to be able to offer more green products in 2023 so that Sydbank can help to support the financing of the green transition. The limit as to what qualifies as green is continuously changing these days as the term is framed by increased regulation, knowledge and market focus. In order to ensure that the Bank supports the financing of the green transition Sydbank has set a target that the Bank has provided funding for green purposes for DKK 4bn in 2025. We regularly address what we call green lending. For instance the purpose of lending as regards Sydbank Energilån (energy loans) in 2022 was adjusted to comply with the definitions of green lending in accordance with the Bank's Green Bond Framework.

Home package – contribution to a sustainable transition

Sydbank Energilån (energy loans) seeks to make it attractive for retail clients to make their homes energy efficient in order to save money and reduce CO₂e emissions. Via the collaboration with Totalkredit Sydbank's retail clients are offered professional energy advice, including an energy check-up at an attractive price. In addition Sydbank refers customers to Totalkredit's Energiberegner, an energy cost calculator, that can help retail clients learn about energy improvements and motivate them to make their homes more energy efficient. The energy cost calculator proposes improvements, shows annual savings, how much the improvement will cost as well as the annual CO₂e saving.

ESG risks – credit evaluations and credit recommendations

Sydbank addresses ESG risks in connection with credit evaluation of the Bank's corporate clients on an ongoing basis. The Bank's knowledge of ESG related risks is obtained on the basis of customer data together with the Bank's industry knowledge. Since early 2022 we have addressed customers' ESG risks by evaluating customers in terms of a number of ESG related topics – a data collection process that our advisers are trained to carry out. In addition Sydbank's industry analyses include industry-specific ESG risks. The integration of ESG in credit evaluations is anchored in the Bank's credit policy.

In 2023 Sydbank will address ESG risks when customers request a loan for a specific purpose. Such an integration of ESG in credit recommendations will be formalised in the Bank's credit policy in 2023.

ESG in Core Business

CO₂e footprint of the Bank's lending

Sydbank complies with the recommendations of the Forum for Sustainable Finance to calculate the CO₂e footprint of the Bank's lending portfolio. When calculating the CO₂e footprint we use Finance Denmark's CO₂ model for the financial sector for 2022. Read more about the calculation on page 58.

Corporate loans account for most of Sydbank's loans. Compared to loans to retail clients, corporate loans are associated with substantially higher emissions per unit loaned. The overall CO₂e footprint in tonnes of Sydbank's own loans was 695,495 at 31 December 2022 and corresponds to an emission intensity of 10.15 tonnes per DKK 1m.

As a supplement to the CO₂e footprint of the Bank's loans, the CO₂e footprint associated with mortgage loans arranged for by the Bank is calculated. The CO₂e footprint in tonnes associated with the Bank's arranged mortgage loans totals 253,947. Read more about the calculation on page 60.

Setting reduction target for CO₂e footprint in 2023

Sydbank will take responsibility by setting a reduction target for the CO₂e footprint associated with the Bank's lending. Also it is our wish that the starting point of our reduction target is fair and correct.

In 2022 we initiated an in-house project to further specify the industry affiliation of our corporate clients. If CO₂e emissions data from the individual corporate client is not available, the corporate client's industry is of great importance for the calculated CO₂e footprint. We expect a decline in the calculated CO₂e footprint of loans in connection with the specification of the industries that our corporate clients belong to. As a responsible bank it is not our wish to achieve a CO₂e reduction solely by specifying the industries that corporate clients belong to. Consequently in 2023 Sydbank will set its CO₂e reduction target for the Bank's lending when the industries have been further specified so that the target is set on a correct basis.

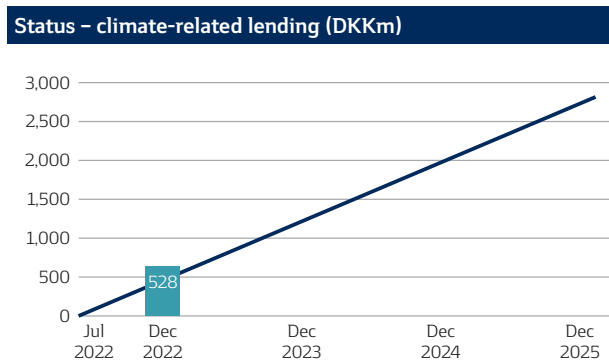
Progress in climate targets since establishment on 1 July 2022

As a result of Sydbank's endorsement of the UN Principles for Responsible Banking, the Bank carried out a climate impact analysis in 2022 based on data for the 2021 financial year. In this context Sydbank set 4 climate targets for the Bank's lending:

- From 1 July 2022 Sydbank will increase lending regarding renewable energy by DKK 1,000m by the end of 2025.
- From 1 July 2022 Sydbank will increase green commercial property loans by DKK 1,000m by the end of 2025.

- From 1 July 2022 Sydbank will increase electric car loans by DKK 200m by the end of 2025.
- From 1 July 2022 Sydbank will increase its leasing activities regarding energy-saving machinery/trucks by DKK 500m by the end of 2025.

The progress in achieving the targets is monitored on a regular basis. Since 1 July 2022 the Bank's identified loans related to the climate targets have risen by DKK 528m.



Responsible investment

At Sydbank it is our wish that our investments create value for our customers. We also strive to invest responsibly and contribute to sustainable developments in society. Therefore we have established an overall investment process that is formalised in Sydbank's responsible investment and active ownership policy. The investment process aims to ensure that our investment decisions take into account all relevant risks, including sustainability risks.

Sydbank signed the UN Principles for Responsible Investment in 2010. As a result the Bank is obliged to comply with the 6 principles for responsible investment and to take into account sustainability factors such as human rights, environmental issues, social conditions, corporate governance and strong institutions in its overall investment process.

It is Sydbank's ambition that our investment portfolio is in keeping with the transition necessary to meet the goals of the 2015 UN Climate Change Conference (the Paris Agreement) to limit a rise in global temperatures to between 1.5 and 2 degrees Celsius.

The climate impact of companies is included in our investment selection process so that our investment portfolio is continuously adapted to the goals of the Paris Agreement. We are however heavily dependent on companies in our investment portfolio being generally able to adapt their business models and significantly reduce their CO₂e emissions if we are to fulfil our climate goal of a total investment portfolio in compliance with the Paris Agreement. We are basically of the opinion that selling off polluting companies in strategically important industries, eg cement and steel, will not contribute effectively to reducing de facto CO₂e emissions worldwide. However we are conscious that active ownership in the form of engagement and voting at general meetings can be crucial contributory factors in companies developing a more sustainable business model and thereby being in a position to lower their CO₂e emissions.

Climate goal

Sydbank's climate goal is a CO₂e footprint of the investment portfolio that is 50-70% lower in 2030 compared to the CO₂e footprint in 2020. To ensure that we remain on track we have set a subgoal that the CO₂e footprint of the investment portfolio is 25-35% lower in 2025.

It is Sydbank's ambition that all asset classes are included in our climate goal as data and methods of calculation mature. Initially our investments in shares and corporate bonds are included in the climate goal. Our starting point for the calculations is the CO₂e footprint of shares and corporate bonds in our investment portfolio at the end of 2020.

The CO₂e footprint of the investment portfolio went up in 2022 compared to the level in 2021. The larger CO₂e footprint is primarily attributable to the significant decrease in value of our investment portfolio in 2022 due to developments in financial markets. The trend in the CO₂e footprint in 2022 underlines that there are several external factors beyond our control that influence our possibilities of achieving our climate goal. Despite these external factors targeted efforts are however made to select companies with CO₂e efficient business models or companies with a large efficiency potential compared to their current CO₂e emissions.

Active ownership

Our process regarding responsible investment is anchored in active ownership, which we believe to be the best way to contribute to more sustainable developments in society. Active ownership also helps to ensure the best risk-adjusted return for our customers. We exercise active ownership via engagement with selected companies and by voting at companies' general meetings. In

some instances the exclusion of companies and countries may be a necessary consequence of ensuring a responsible investment process. Read more about the calculations regarding active ownership and the results achieved on pp 61-62.

Engagement with selected companies

Sydbank screens companies in its investment portfolio on a continuing basis for violations of international norms focusing on the UN Global Compact's 10 principles. If we are informed of serious conditions indicating a potential violation of one or more of these principles, we will always engage with the company via our business partner in this area. In this process of engagement Sydbank collaborates with other responsible investors in order to gain a stronger voice in the companies. By joining forces with other investors we increase our chances of getting companies to address the points of criticism that have led them to be in conflict with one or more of the UN Global Compact principles.

Sydbank wishes to make a targeted effort as regards violations of widely recognised international conventions and norms. The aim is to influence the companies in which Sydbank has invested to act more responsibly thereby mitigating the sustainability risks of investments. However in some cases the engagement process does not lead to the desired changes and in such instances we will generally exclude the company from our investment portfolio.

In 2022 6 engagement cases were closed successfully and 7 new engagement cases were opened regarding potential violations of the principles of the UN Global Compact.

Voting at companies' general meetings

Voting at companies' general meetings is an important element of our overall interaction with the companies in which we exercise active ownership because the managements of companies are usually susceptible to the positions and demands of their owners. Voting aims to promote long-term value creation in the companies in which we have invested for the benefit of our customers. In addition it is our wish that our voting will contribute to greater transparency regarding significant sustainability issues and encourage management to promote the company's transition to a more sustainable business model.

In 2022 Sydbank voted against board recommendations in 10.1% of the agenda items. Our votes against board recommendations are often related to board composition and candidates that do not comply with best practice in the area. Furthermore we have often voted in favour of motions for greater transparency into the efforts of companies regarding environmental or social issues.

ESG in Core Business

Exclusion may be necessary

Not all companies are compatible with our principles for responsible investment. Sydbank does not generally consider selling off shares to be the best way of influencing changes in the business model of companies in our investment universe. However we have identified some industries that are incompatible with our principles for responsible investment and companies in these industries are excluded from our investment universe without engagement.

Companies considered to be incompatible with Sydbank's principles for responsible investment and excluded from our investment universe comprise:

- Companies in violation of international weapon conventions.
- Companies with a turnover exceeding 5% from production of thermal coal.
- Companies with a turnover exceeding 5% from production of oil sand.
- Companies with a turnover exceeding 5% from production or distribution of tobacco.
- Companies in violation of international norms and where engagement has not brought about the desired changes.

Companies with business activities in thermal coal, oil sand and tobacco were added to the exclusion list in 2022 as they were no longer considered to be compatible with the principles for responsible investment. Russia's invasion of Ukraine also led to the exclusion of several Russian companies from our investment universe in 2022. This was because the Russian government has a significant ownership interest in these companies. 230 companies were on Sydbank's exclusion list at the end of 2022.

Also countries may be excluded in connection with investments in government bonds

Sydbank has developed its own process as regards ESG analysis of government bonds. A country is assigned an ESG score where points are given on the basis of a country's current level and its development potential in the long term. To adhere to the UN Global Compact, Sydbank's analysis focuses on several different and independent data for a country's environmental considerations, personal and political freedoms, a government's ability to provide security and welfare as well as the incidence of corruption etc.

Sydbank wishes to invest in government bonds in a responsible and active manner. Our strategy is for certain minimum criteria to be met at all times. A number of internationally recognised norms, including Denmark's sanctions and the EU's sanctions, represent the minimum criteria but focusing exclusively on norms cannot stand alone. Sydbank's ESG analysis categorises countries according to a traffic light model where certain quantitative and qualitative criteria must be met for a country to be included in the investment universe.

Sydbank had excluded 22 countries from its investment universe regarding government bonds at the end of 2022.

ESG Data and Data Processing

ESG data disclosed in “A Decent Bank”, “ESG in Core Business” and “ESG Data and Data Processing” forms part of Sydbank’s corporate social responsibility report and comprises the entire Sydbank Group unless otherwise stated.

As a rule data on ESG and sustainability is collected once a year whereas internal reporting on many of the individual data areas occurs on an ongoing basis.

All data has been calculated for the period 1 January 2022 – 31 December 2022 unless otherwise stated in this section. Changes as regards actual data calculations or methods appear in conjunction with the relevant data.

A decent bank

ESG governance

Education and training at Sydbank

Education and training supporting a decent bank is defined as the training modules listed in the table below. The table also shows the completion rate of each training module.

The Bank’s human resources department has a follow-up procedure for the training courses which is described in an internal business procedure. Data is extracted twice a year – in mid-May and mid-November – from the Bank’s system Videnbarometer®.

Selected courses at 15 November 2022

Theme	Completion rate
Prevention of money laundering and terrorist financing	99.1
Processing of personal data	99.4
Information security	99.7
Compliance at Sydbank	99.9
ESG and sustainability	99.9

The completion rate is calculated as the number of employees who have completed the course compared to the number of employees who have been given the possibility to and who are required to complete the training. This means that employees with long-term absence, employees who have resigned/employees who are released from the duty to work, employees who have not yet commenced employment as well as employees who are not part of the target group regarding the specific training course are not included in the calculation of the completion rate mentioned above.

Responsible employer

Employee engagement survey

Sydbank uses Ennova to measure employee engagement. The employee engagement survey is conducted every other year. The last survey was carried out in September 2022. The survey includes all the Bank’s employees except for employees on leave, employees on long-term sick leave, employees released from the duty to work, employees in temporary positions, employees paid on an hourly basis or employees who changed departments in the month preceding the survey.

Ennova asks the same questions to all its business partners in the sector. This gives us a sector average enabling us to compare ourselves to around 40,000 employees of employers in the financial sector in Denmark.

Employee engagement – rating on a scale from 1 to 100

	2022	Ennova’s sector average 2022	2020
Job satisfaction	81	77	81
Satisfaction with Sydbank as a workplace	83	79	83
Job motivation	82	79	83

Reported incidents

Work-related injuries

All kinds of physical injuries at the workplace or during the performance of work must be reported as work-related injuries. Similarly assaults, threats and robberies where an employee is offered psychological support must be reported as work-related injuries. The head of security decides whether a reported incident constitutes a work-related injury to be registered. Registered work-related injuries are included in the calculation.

Unpleasant customer experiences

Customer confrontations of an unpleasant but less severe nature and as regards which an employee does not receive psychological support right away are registered as ‘unpleasant customer experiences’.

The assessment of whether an incident is reported as an unpleasant customer experience is made in consultation with the employee concerned, the branch management and the head of security.

Reported incidents	2022	2021	2020
Work-related injuries	16	9	7
Unpleasant customer experiences	13	1	6

ESG Data and Data Processing

The most significant reasons behind the rise in the number of work-related injuries reported are found in injuries sustained at the Bank's event in September as well as an overall increase in various injuries following the covid years when the number was at the low end. In other words 2022 was a little more normal or slightly above average.

The number of unpleasant customer experiences reported in 2021 was exceptionally low and also here a more normal or slightly higher number could be seen in 2022. In addition there was greater awareness as to reporting in 2022 (eg via focus by the working environment organisation) and it will be increased further in 2023.

Organisational composition

The number of employees is the Group's average number of staff translated into full-time staff (FTEs) during the accounting period. Data does not include employees released from the duty to work, employees on leave without pay, employees on standby duty, employees paid on an hourly basis and parliamentary committees.

The number of employees in flex jobs includes employees in flex jobs pursuant to the Danish Act on Active Employment Measures and is stated as the number of employees at the end of the accounting period.

The number of employees in management positions is calculated as all permanently employed managers with staff responsibilities, including the Group Executive Management, and is stated as a percentage of the number of employees at the end of the accounting period.

Absence due to sickness for the year is registered in Sydbank's time recording and absence registration system. Absence due to sickness includes the employee's own sickness (full days and part days) and is stated as a percentage of possible number of working hours in days for the accounting period.

The employee turnover rate is calculated as follows: FTEs leaving voluntarily (employee resigns) and involuntarily (employee is terminated) / average number of FTEs * 100 for the accounting period.

Gender diversity on the Board of Directors of Sydbank A/S is calculated for shareholder-elected board members and is computed at the end of the accounting period. Gender diversity in the Group Executive Management of Sydbank A/S is calculated at the end of the accounting period. Gender diversity as regards women in management positions at the Group is calculated as all permanently employed women managers with staff responsibilities as a percentage of all managers with staff

responsibilities and is computed at the end of the accounting period. The gender balance expressed as a percentage is calculated on the basis of all the Group's employees and is computed at the end of the accounting period.

The pay gap between the CEO and employees is calculated on the basis of the median salary, excluding the CEO's salary. The calculation is based on employees' fixed annual salary at the end of the accounting period. The pay gap between men and women is calculated on the basis of the median salary, including the CEO's salary. The calculation is based on employees' fixed annual salary at the end of the accounting period.

Organisational composition	2022	2021	2020
Average number of employees (FTEs)	2,072	2,168	2,021
Number of employees in flex jobs	15	17	20
Employees in management positions (%)	13.0	12.9	13.0
Absence due to sickness (%)	3.5	5.8	3.3
Employee turnover rate (%)	14.0	15.8	8.0
Women board members (%)	37.5	37.5	37.5
Women group executive management members (%)	33.3	33.3	25.0
Women in management positions (%)	31.8	30.5	29.3
Gender balance (M/F) among employees (%)	50/50	49/51	50/50
Pay gap between CEO and employees (times)	14.2	13.9	12.6
Pay gap between men and women across Sydbank (times)	1.2	1.3	1.2

Responsible climate footprint

Limitation

Reporting on a responsible climate footprint comprises the footprint of the Bank's own internal operations. Holiday homes and apartments are not included as consumption is not considered to be business-related.

Consumption

Natural gas and biogas

Consumption data of biogas and natural gas is collected in the energy management tool App.KeepFocus.

Electricity, water and heating

Electricity, water and heat consumption as regards 95% of Sydbank's building stock is monitored on an hourly basis via the energy management tool App.KeepFocus. The remaining 5% consists of 10 leases and a vacant property and is calculated manually using local meters on the basis of estimates based on an average consumption per square metre for 2022.

Consumption comprises Sydbank's head office as well as branches in Denmark owned or leased by Sydbank and discontinued branches, which are properties or sites sold by the Bank or no longer leased by the Bank. Consumption is included until the properties are no longer leased or sold. Electricity consumption at sites with ATMs that are not associated with a branch are not included since consumption is less than 1% of total electricity consumption. Total electricity consumption is the sum of purchased electricity and electricity generated by Sydbank's solar cells. Electricity generated by Sydbank's solar cells comprises the solar cell system at the head office in Aabenraa and at the regional head offices in Slagelse and Esbjerg.

Heat consumption consists of gas heating, electric heating and district heating. For the financial years of 2021 and 2022 district cooling from the regional head office at Kgs. Nytorv in Copenhagen was also included in district heating consumption. Heat consumption comprises Sydbank's head office, branches owned or leased in Denmark, discontinued branches in Denmark as well as branches in Northern Germany.

Transportation

Transport by private car is calculated according to employees' registrations of kilometres driven in the Bank's HR system. The number of kilometres driven in private cars is a mixture

of transportation in electric cars, diesel cars and petrol cars whereas in previous financial years the assumption was that the number of kilometres driven in private cars was a mixture of transportation in diesel cars and petrol cars. Transport in Sydbank's cars is calculated according to the consumption of petrol and diesel in litres as well as electricity in kWh. Charging at the private residence of employees was not reported to Sydbank in 2020 and 2021 and these figures are therefore not included in the calculations for the 2020 and 2021 financial years. In addition previous reporting regarding electric vehicles does not cover Sydbank's entire electric car fleet but only cars made available to the Bank's employees and therefore not cars included in an employee's remuneration package. Charging at the private residence of employees and Sydbank's entire electric car fleet are included in the calculations for the 2022 financial year and consequently the figures for 2022 cannot be compared to previous calculations. The statements of consumption do not include Sydbank's 10 cars in Germany. Sydbank collects data on consumption from Circle-K, Shell and Clever.

Consumption data on transportation shows an increase in electricity consumption in particular. The increase is attributable in part to the inclusion of charging at the private residence of employees and the fact that Sydbank's car fleet consists of considerably fewer diesel cars and considerably more electric cars in 2022 than in previous years.

Consumption data	2022	2021	2020
Transport by car			
Number of kilometres driven in private cars for business purposes	2,234,011	1,748,554	1,576,042
Consumption of diesel (l) in Sydbank's cars	95,252	119,670	112,964
Consumption of petrol (l) in Sydbank's cars	42,388	29,065	14,943
Consumption of electricity (kWh) in Sydbank's cars	69,241	7,066	2,806
Consumption – electricity (kWh)			
Branches – total	5,898,512	6,602,424	6,441,908
Energy produced by renewable sources (kWh)			
Electricity produced by the Bank's solar cell systems	396,754	367,708	195,767
Electricity purchased from wind energy	5,419,181	5,933,968	968,752
Consumption – heating (kWh)			
Branches – total	6,264,795	7,807,677	6,600,159
Consumption – water (m³)			
Branches – total	13,843	14,447	14,419
Calculations – total energy consumption			
Total energy consumption (GJ)	50,684	57,981	-
Renewable energy share of total energy consumption (%)	72	71	-

ESG Data and Data Processing

Total energy consumption

Total energy consumption and the renewable energy share and energy intensity at Sydbank are calculated according to the following formulas:

Total energy consumption: \sum (fuel type used (t) * energy factor per type of fuel) per fuel type + (electricity used (incl renewable energy)(MWh)*3.6) + (district heating/district cooling used, incl renewable sources for heating/cooling (GJ)).

Renewable energy share: (renewable energy/total energy consumption) * 100.

The renewable energy share is calculated on the basis of electricity produced by the Bank's solar cells, purchased wind turbine electricity and the renewable energy share in district heating in Denmark.

CO₂e accounts

Method of calculation

The CO₂e accounts regarding scope 1 and scope 2 are prepared in accordance with the guidelines of the Greenhouse Gas Protocol.

Scope 1 emissions comprise direct emissions from sources owned or controlled by Sydbank, eg emissions from transport in the Bank's cars.

Scope 2 emissions consist of indirect emissions from energy purchased by Sydbank from a third party for its own consumption, ie electricity and district heating.

Scope 3 emissions comprise indirect emissions not deriving from sources owned directly by Sydbank but deriving from the Bank's activities. In the CO₂e accounts for a responsible climate footprint, transport by employees by private car and indirect energy consumption from Bankdata are included as scope 3 emissions. Scope 3 emissions from activities in the Bank's core business represent the main part of Sydbank's scope 3 emissions and they are calculated in relation to "ESG in Core Business" (responsible finance and responsible investment).

Sydbank submits data regarding the Bank's consumption to an external business partner which prepares the CO₂e accounts on the basis of calculated consumption and relevant identified emission factors.

In addition to scope 1 and scope 2, 2 selected categories of scope 3 are included: Bankdata and transport by employees by private car. Sydbank's indirect energy consumption is significant because IT development and operations are to a large

extent outsourced to Bankdata. Consequently indirect energy consumption from Bankdata is included in the calculation for the 2022 financial year. Total CO₂e emissions for previous years have been recalculated as a result of the inclusion of Bankdata. The CO₂e accounts as regards transport by employees by private car are based on the principles of the Greenhouse Gas Protocol and on reimbursed kilometres by private car multiplied by relevant emission factors.

CO₂e emissions for electricity and heating are calculated by using the most recent emission factors from national authorities.

The year's consumption of natural gas and biogas is calculated as consumption of average gas in the Danish natural gas network (called "mains gas"), ie natural gas with the average biogas content (biogas share) disclosed by the Danish Energy Agency. Gas consumption in 2022 is viewed on the basis of a location-based and a market-based calculation where an average mixture of biogas (mains gas) is used in the location-based calculation and the emission factor for 100% biogas is used in the market-based calculation. Biogas was not included in the calculations for 2021 and 2020 and therefore they are not comparable with the calculation for 2022.

Sydbank's CO₂e accounts for 2022 show a total emission of 2,274 tonnes CO₂e as regards a location-based calculation. The Bank has experienced a decline of 7.7% compared to emissions in 2021.

Location based – CO ₂ e emissions (tonnes)				
	2022	2021	2020	
Scope 1	373	412	382	
Scope 2	1,234	1,515	1,830	
Scope 3	450	392	340	
Total	2,057	2,319	2,552	
<u>Scope 3 – specification:</u>				
Transport by private car	cat 6	300	269	199
Bankdata – indirect consumption	cat 15	150	123	141
Total		450	392	340
Market based – CO ₂ e emissions (tonnes)				
	2022	2021	2020	
Scope 1	362	412	382	
Scope 2	597	766	1,830	
Scope 3	450	392	340	
Total	1,409	1,570	2,552	
<u>Scope 3 – specification:</u>				
Transport by private car	cat 6	300	269	199
Bankdata – indirect consumption	cat 15	150	123	141
Total		450	392	340

ESG in core business

Responsible finance

Accounting policies for the Bank's calculation of the CO₂e footprint of lending

Sydbank's reporting of the CO₂e footprint of the Bank's lending is based on Finance Denmark's CO₂ model for the financial sector for 2022. Finance Denmark's CO₂ model uses a prioritised list of data quality based on the Partnership for Carbon Accounting Financials (PCAF). Sydbank always uses the best available data based on the prioritised list in the CO₂ model. The categories in Finance Denmark's CO₂ model do not cover all our loans and combined with data limitations, the CO₂e footprint of some of our loans cannot be calculated. As a result the share of the Bank's loans for which it is not possible to calculate the CO₂e footprint is calculated separately. The CO₂e footprint is calculated as regards loans to the Bank's corporate clients, home loans, car loans to retail clients and private leasing. As a supplement to the Bank's own CO₂e footprint the CO₂e footprint associated with arranged mortgage loans is calculated.

CO₂e footprints are calculated quantitatively.

The CO₂e footprint of the Bank's lending was reported for the second time in connection with the 2022 financial year.

The emission intensity of the Bank's total loans fell from 2021 to 2022. This was primarily due to an increase in the Bank's share of corporate loans which recorded a decline in emission intensity.

Corporate

The CO₂e footprint of corporate loans is calculated according to the prioritised list in Finance Denmark's CO₂ model and the CO₂e footprint is calculated for each individual corporate client with a registered industry code. The calculations are based on available data.

The calculation of the CO₂e footprint of corporate loans primarily depends on the composition of loans and the industry averages prepared by Statistics Denmark. The emission intensity of corporate loans went down from 2021 to 2022 as the industry averages regarding the Bank's composition of loans in 2022 were relatively lower than the composition in 2021.

Private cars

The CO₂e footprint is calculated on the basis of the car's engine/motor in cases where Sydbank holds a charge on the car. If Sydbank does not hold a charge on the car, an average of Denmark's motor vehicles from the Danish Center for Environment and Energy (DCE) is used.

Reporting of CO ₂ e footprint of loans	Loans (DKK)m	CO ₂ e footprint (t) of loans*	2022	Loans (DKK)m*	CO ₂ e footprint (t) of loans*	2021
			CO ₂ e footprint (t) per DKK 1m loan*			CO ₂ e footprint (t) per DKK 1m loan*
Retail – car	2,084	33,128	15.89	3,531	46,942	13.30
Retail – property	6,216	10,637	1.71	7,273	13,225	1.82
Retail (car and property)	8,300	43,764	5.27	10,803	60,166	5.57
Corporate	60,210	651,731	10.82	56,748	752,498	13.26
Loans – CO₂e footprint can be calculated	68,510	695,495	10.15	67,552	812,664	12.03
Loans – CO₂e footprint cannot be calculated	5,423	-	-	-	-	-
Total lending	73,933	-	-	-	-	-
Arranged mortgage loans – corporate	17,683	190,746	10.79	-	-	-
Arranged mortgage loans – retail	73,388	63,201	0.86	88,278	99,673	1.13
Arranged mortgage loans – CO ₂ e footprint can be calculated	91,071	253,947	2.79	-	-	-
Arranged mortgage loans – CO ₂ e footprint cannot be calculated	13,760	-	-	-	-	-
Lending + arranged mortgage loans – CO ₂ e footprint can be calculated	159,581	949,442	5.95	-	-	-

* Where calculation of CO₂e footprint has been possible.

ESG Data and Data Processing

The CO₂e footprint is calculated on the basis of the size of the loan at loan origination and the car's market value. In cases where Sydbank does not hold a charge on the car the market value of the car cannot be calculated. In such cases the market value is conservatively calculated as 125% of the size of the loan at loan origination as retail clients must pay at least 20% of the car's market value.

The emission intensity of private cars went up from 2021 to 2022 and the increase is primarily attributable to repayments made on existing loans. The CO₂e footprint is calculated on the basis of the original loan's share of the car's purchase price and not the existing loan's share of the car's purchase price. As a consequence of repayments on existing loans, the car's CO₂e footprint is distributed on a smaller loan resulting in a rise in emission intensity from 2021 to 2022.

Properties

The CO₂e footprint of properties is calculated according to the prioritised list in Finance Denmark's CO₂ model for 2022. The CO₂e footprint is calculated on the basis of Sydbank's own underlying

data and estimates used as regards properties' emissions provided by Totalkredit where the most recent complete data set provided by Totalkredit is used as the point of departure.

Share of loans for which the CO₂e footprint cannot be calculated

The CO₂e footprint is calculated as regards all corporate loans with a registered industry code. We are unable to calculate the CO₂e footprint of the share of retail client loans used for cooperative housing, properties outside Denmark, cars that are not registered in Denmark and retail client loans that are not for cars, properties or that are secured on real property. Loans for which the CO₂e footprint is not calculated constitute DKK 5,423m.

Separate calculation of arranged mortgage loans

The CO₂e footprint of arranged mortgage loans for retail clients is calculated in the same manner as the CO₂e footprint of home loans. We are unable to calculate the CO₂e footprint of DKK 13,760m in relation to arranged mortgage loans to retail clients. As regards arranged mortgage loans to corporate clients the CO₂e footprint is calculated in the same manner as the CO₂e footprint of corporate loans.

(%) Lending	Score 1	Score 2	Score 3	Score 4	Score 5	Weighted data quality score
Retail – property			45.9	46.3	7.8	3.62
Retail – car				100.0		4.00
Corporate	1.1	0.1		78.3	20.5	4.17
Total	0.9	0.1	4.2	76.1	18.8	4.12

Data quality is calculated on the basis of Finance Denmark's CO₂ model with 1 being the highest score and 5 the lowest.

Data quality score

At Sydbank we wish to finance a sustainable transition on an informed basis. Constant efforts are therefore made to strengthen data quality. In order to be transparent about the data quality on the basis of which the CO₂e footprint is calculated, the table above provides an overview of the data quality of the calculated CO₂e footprint of loans.

Responsible investment

Limitation

Sydbank has changed the extent of assets included in the reporting of responsible investment for the 2022 financial year. For the 2022 financial year reporting concerns only assets that are part of Sydbank's financial balance sheet.

CO₂e footprint of investments

In the calculation of the CO₂e footprint our investments in shares and corporate bonds that are part of Sydbank's total pooled plans are included. The calculations include our direct investments as well as investments made via index funds and ETFs. Our investment activities within government bonds, mortgage bonds and alternatives are not included in the calculations. The CO₂e footprint of the investment portfolio is a snapshot at the end of the accounting period.

Sydbank's climate goal as regards the CO₂e footprint of the investment portfolio is based on the year 2020. In order to monitor developments as regards this goal we have included historical data for 2020 in the calculation of the CO₂e footprint of investments. As a consequence of the reporting limitation introduced for the 2022 financial year, data for 2021 has been recalculated.

The CO₂e footprint is calculated in accordance with Finance Denmark's CO₂ model for the financial sector for 2022.

Finance Denmark's CO₂ model stipulates that the CO₂e footprint of our ownership interests in individual companies is calculated on the basis of Enterprise Value Including Cash (EVIC). This ensures that total CO₂e emissions are distributed proportionally between equity investors and debt investors in the individual company. We use CO₂e data from our data provider MSCI ESG Research in the calculation of the CO₂e footprint of investments. In the calculation of the CO₂e footprint for 2022, CO₂e data is available for 94.9% of the investment portfolio. In the calculation of the CO₂e footprint data coverage is set at 100%. Our CO₂e data set comprises 79.4% reported data (PCAF Score 2) and 20.6% estimated data (predominantly PCAF Score 4).

The CO₂e footprint of the investment portfolio went up in 2022 compared to the level in 2021. The larger CO₂e footprint is primarily attributable to the significant decrease in value of our investment portfolio in 2022 due to developments in financial markets. The trend in the CO₂e footprint in 2022 underlines that there are several external factors beyond our control that influence our possibilities of achieving our climate goal. Despite these external factors targeted efforts are however made to select companies with CO₂e efficient business models or companies with a large efficiency potential compared to their current CO₂e emissions.

CO ₂ e footprint of investments	2022	2021	2020
Business volume (DKKbn)	10.51	12.60	9.97
Emissions (tCO ₂ e)	101,632	96,977	109,863
Emissions per million USD invested (tCO ₂ e/mUSD)	67.39	50.32	67.05
Percentage change in emissions per million USD invested compared to level at end-2020	0.5	-24.9	-

Active ownership activities

Our active ownership activities concern our direct investments in shares, corporate bonds and government bonds. This means that companies or government bonds in passive investment products such as index funds and ETFs are not included in the calculation. As a result of the reporting limitation introduced for the 2022 financial year we have changed the extent of assets included in the calculation of our active ownership activities. In 2022 our investments in corporate bonds were also included in the number of companies screened. As a result of the changes data for 2022 is not comparable with historical data.

Number of companies screened

MSCI ESG Research is the main provider of data used for screening and analysis of ESG issues in our investment portfolio. With regard to screening of any violation of the UN Global Compact principles, we use data from our business partner Sustainalytics. Companies in our investment portfolio are regularly screened for any conflicts with our responsible investment and active ownership policy. The table shows the number of companies in our portfolio at the end of the accounting period.

Dialogue on violation of international norms

The engagement process relating to our active ownership is carried out by our external business partner Sustainalytics. Sustainalytics assesses on an ongoing basis which companies have serious difficulties complying with the UN Global Compact principles. If there is suspicion of or confirmation of a violation of one or more principles of the UN Global Compact, we will always engage in dialogue with the company via our business partner. A company can be involved in several cases concerning potential or confirmed violations of the principles of the UN Global Compact. The table shows pending cases at the end of the accounting period.

Exclusion of companies

Sydbank's Responsible Investment Committee has the overall responsibility for deciding which companies should not be included in the investment universe due to non-compliance with the principles of the Bank's responsible investment and active ownership policy. Companies can be excluded from the investment universe as a result of an unsuccessful dialogue concerning violations of the principles of the UN Global Compact. Every quarter our business partner submits a recommendation regarding new companies for the exclusion list due to an unsuccessful engagement process. Companies can also end up on the exclusion list if they are involved in business areas that are incompatible with our responsible investment policy. For our exclusion of companies we use data based on business areas from MSCI ESG Research. The table shows the number of companies on our exclusion list at the end of the accounting period. In 2022 the number of excluded companies rose compared with the number in 2021. The reason behind the increase in the number of excluded companies is described in more detail on page 54.

Exclusion of countries

Sydbank has developed its own process for ESG analysis of government bonds. A country is excluded on the basis of an analysis of environmental, social and governance issues in the individual countries. An ESG analysis of the countries in

ESG Data and Data Processing

our investment universe is carried out on a continuous basis. Every quarter the investment team responsible for investing in government bonds submits a recommendation to Sydbank's Responsible Investment Committee on which countries can be removed from the investment universe as a result of ongoing ESG analysis. Based on this recommendation the committee decides which countries will be included in our exclusion list. The table shows the number of countries excluded from our investment universe for government bonds at the end of the accounting period.

General meetings and voting

Sydbank collaborates with ISS Governance on voting. Sydbank votes at selected general meetings of companies where we have made direct equity investments. The selection process is described in greater detail in the Bank's responsible investment and active ownership policy. During the accounting period Sydbank votes at companies' general meetings on an ongoing basis via the voting platform ISS ProxyExchange. The platform is used to collect data for votes held during the accounting period. The number of companies screened went up in 2022 compared with the number in 2021. We aim to increase our activities within active ownership on a continuing basis. As a result we voted at a significantly higher number of general meetings in 2022.

Active ownership activities	2022	2021	2020
Number of companies screened	1,389	1,276	1,183
Number of engagement cases concerning violation of international norms	50	49	45
Excluded companies	230	85	75
Excluded countries – investment in government bonds	22	21	16
Number of general meetings where Sydbank participated	170	36	32
Share of agenda items where Sydbank voted against the board of directors (%)	10.1	8.7	3.5

Reporting under Article 8 of the Taxonomy Regulation

Data in the following paragraphs has been calculated in accordance with Article 8 of the Taxonomy Regulation (Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088) and the Delegated Regulation (Commission Delegated Regulation (EU) (2021/4987) of 6 July 2021).

Sydbank supports a common definition of environmental sustainability. The taxonomy is new and technical screening criteria as regards 4 of the 6 environmental objectives have yet to be published, which means that many of the economic activities for which the Bank has granted loans and in which it has investments have not yet been described in the Taxonomy Regulation. At Sydbank the Taxonomy Regulation and its development is considered on an ongoing basis.

The Taxonomy Regulation is used in Sydbank's Green Bond Framework. The Bank's Green Bond Framework will form the basis for the development of new financing solutions. In 2022 we collected available information about the customers required to report under the Taxonomy Regulation in order to gain insight into whether their economic activities were covered by the Taxonomy Regulation. Sydbank does not use the Taxonomy Regulation in the Bank's overall business strategy.

Based on our current knowledge of the contents of the Taxonomy Regulation we have not ascertained non-compliance with the regulation.

Accounting policies

Companies are obliged to report under the Taxonomy Regulation if they are subject to the Non-Financial Reporting Directive (NFRD). Companies are subject to the NFRD if they are listed and have more than 500 employees (NFRD companies). Sydbank's reporting for the 2022 financial year comprises the Bank's corporate clients, lending to retail clients and companies in the investment universe if the corporate client, the retail client loan or the company in the investment universe is covered by the Taxonomy Regulation.

Lending covered by reporting for 2022 consists of exposures to corporate clients who are covered by the Taxonomy Regulation and who reported under the Taxonomy Regulation before the end of January 2023. The Bank's exposure to corporate clients is considerably larger than the exposure to retail clients. Most of

the Bank's corporate clients are however not obliged to report under Article 8 of the Taxonomy Regulation and therefore Sydbank's reporting will only represent a small proportion of the Bank's overall lending.

Assets that are part of Sydbank's total pooled plans are included in the calculations regarding investment activities. The calculations are based on a total investment portfolio less investments in government bonds of DKK 19.4bn.

A voluntary supplement to mandatory reporting in the form of an estimate of taxonomy-eligible investment activities has been calculated on the basis of estimates of economic activities as described in Annex 1 and Annex 2 of the Delegated Act supplementing Article 8 of the Taxonomy Regulation. The estimates of investment activities are based on the establishment of the company in an EU member state and the company's reporting requirements under the NFRD. The company is subsequently assigned a primary NACE code. If the primary industry code is described in Annex 1 and Annex 2, the investment activity concerned will be considered as being taxonomy-eligible. If a primary industry code cannot be assigned in relation to an investment activity, the investment activity will be considered as being taxonomy non-eligible.

ESG Data and Data Processing

Definitions	
Total covered assets – total activities excluding asset types covered by Article 7(1)	Total assets on the balance sheet for accounting purposes less exposures to sovereigns defined as central banks, supranational issuers and central governments.
Exposures to taxonomy-eligible economic activities	The proportion of total covered assets that are exposures to NFRD companies as well as car and housing products covered by the taxonomy divided by total covered assets. The calculation of investment activities in NFRD companies is based on the company's establishment in an EU member state as well as the reporting requirements of the company in accordance with the NFRD.
Exposures to taxonomy non-eligible economic activities	The proportion of total covered assets that are not exposures to NFRD companies as well as car and housing products divided by total covered assets.
Exposures to economic activities that individual NFRD companies have reported as being eligible under Article 8 of the Taxonomy Regulation (applies to lending)	The proportion of total covered assets that are exposures to NFRD companies and that have reported under Article 8 of the Taxonomy Regulation before the end of January 2023.
Exposures to central governments, central banks and supranational issuers	Exposures to sovereigns defined as central banks, supranational issuers and central governments divided by total covered assets.
Exposures to derivatives	Exposures to derivatives divided by total covered assets.
Exposures to companies not subject to the NFRD	Exposures to companies not subject to the NFRD divided by total covered assets.
Total exposure to trading portfolio and on demand interbank loans	Exposures to trading portfolio and on demand interbank loans divided by total covered assets.
Voluntary supplement to mandatory reporting – exposures to investment activities that NFRD companies have estimated as being eligible (applies to investment)	Exposures to investment activities that NFRD companies have estimated as being eligible by using estimates divided by total covered assets. Due to insufficient data estimates are used in this voluntary supplement to mandatory reporting as regards the eligibility of investments.

Reporting under Article 8 of the Taxonomy Regulation	2022	2021*
Exposures to taxonomy-eligible economic activities	12%	7%
Exposures to taxonomy non-eligible economic activities	88%	93%
Exposures to economic activities that individual NFRD companies have reported as being eligible under Article 8 of the Taxonomy Regulation	0%	-
Exposures to central governments, central banks and supranational issuers	19%	12%
Exposures to derivatives	4%	2%
Exposures to companies not subject to the NFRD	49%	42%
Total exposure to trading portfolio and on demand interbank loans	20%	19%
Total activities excluding asset types covered by Article 7(1) (DKKm)	151,105	149,504
Voluntary supplement to mandatory reporting – exposures to investment activities that NFRD companies have estimated as being eligible	1%	-

* The methods of calculation have changed since the statement for 2021 (where data as regards lending and investments was separate) and until the statement for 2022 (where data as regards lending and investments is reported together), which is why the 2 data columns are not comparable.

Financial Statements

Income Statement	68
Statement of Comprehensive Income	68
Balance Sheet	69
Statement of Changes in Equity	70
Cash Flow Statement	72

1 Accounting policies	73	29 Deposits and other debt	111
2 Accounting estimates and judgements	84	30 Bonds issued at amortised cost	111
3 Solvency	86	31 Other liabilities	111
4 Leverage ratio	87	32 Provisions	111
5 Segment reporting	87	33 Subordinated capital	112
6 Correlation between the Group's performance measures and the income statement according to IFRS	89	34 Own holdings	113
7 Interest income	90	35 Contingent liabilities and other obligating agreements	114
8 Interest expense	91	36 Fair value hedging of interest rate risks (macro hedge)	115
9 Dividends on shares	91	37 Collateral	116
10 Fee and commission income	91	38 Related parties	117
11 Market value adjustments	92	39 Fair value disclosure	119
12 Other operating income	92	40 Financial liabilities – contractual maturities	123
13 Staff costs and administrative expenses	93	41 Activity per country	123
14 Impairment of loans and advances etc	95	42 Financial highlights	124
15 Profit/(Loss) on holdings in associates and subsidiaries	96	43 Reporting events occurring after the balance sheet date	125
16 Tax	96	44 Group holdings and enterprises	126
17 Amounts owed by credit institutions and central banks	97	45 Large shareholders	126
18 Loans and advances	98	46 Correlation between Group profit and equity according to IFRS and FSA accounting rules	126
19 Bonds at fair value	106	Definitions – Group Financial Ratios & Performance Measures	127
20 Shares etc	106	Derivatives	128
21 Holdings in associates etc	106	Risk Management	132
22 Holdings in subsidiaries etc	107	Credit risk	133
23 Assets related to pooled plans	107	Market risk	136
24 Intangible assets	108	Liquidity risk	138
25 Owner-occupied property	109	Operational risk	140
26 Other property, plant and equipment	110	IT security	140
27 Other assets	110	Total capital	141
28 Amounts owed to credit institutions and central banks	110		

Income Statement

DKKm	Note	Sydbank Group		Sydbank A/S	
		2022	2021	2022	2021
Interest income calculated using the effective interest method		2,646	2,081	2,652	2,088
Other interest income		440	283	440	283
Interest income	7	3,086	2,364	3,092	2,371
Interest expense	8	487	437	490	435
Net interest income		2,599	1,927	2,602	1,936
Dividends on shares	9	30	25	42	25
Fee and commission income	10	2,671	2,624	2,547	2,478
Fee and commission expense	10	319	324	294	290
Net interest and fee income		4,981	4,252	4,897	4,149
Market value adjustments	11	386	474	427	593
Other operating income	12	24	24	25	26
Staff costs and administrative expenses	13	2,931	3,237	2,871	3,179
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment		115	138	111	144
Other operating expenses		44	33	44	33
Impairment of loans and advances etc	14	(96)	(415)	(96)	(415)
Profit/(Loss) on holdings in associates and subsidiaries	15	8	7	31	25
Profit before tax		2,405	1,764	2,450	1,852
Tax	16	504	353	513	358
Profit for the year		1,901	1,411	1,937	1,494
Distribution of profit for the year					
Shareholders of Sydbank A/S				1,898	1,455
Holders of AT1 capital				39	39
Total amount to be allocated				1,937	1,494
Proposed dividend to shareholders of Sydbank A/S				947	701
Interest paid to holders of AT1 capital				39	39
Proposal for allocation for other purposes				12	12
Transfer to equity				939	742
Total amount allocated				1,937	1,494
EPS Basic (DKK)*		32.2	23.0	33.0	24.6
EPS Diluted (DKK)*		32.2	23.0	33.0	24.6
Proposed dividend per share (DKK)		16.77	12.00	16.77	12.00

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

Statement of Comprehensive Income

Profit for the year	1,901	1,411	1,937	1,494
Other comprehensive income				
Items that may not be reclassified to the income statement:				
Property revaluation	12	28	12	28
Value adjustment of certain strategic shares	42	92	-	-
Other comprehensive income after tax	54	120	12	28
Comprehensive income for the year	1,955	1,531	1,949	1,522

Balance Sheet

DKKm	Note	Sydbank Group		Sydbank A/S	
		2022	2021	2022	2021
Assets					
Cash and balances on demand at central banks		8,134	5,513	8,134	5,513
Amounts owed by credit institutions and central banks	17	21,959	16,798	21,959	16,798
Loans and advances at fair value	18	10,490	16,918	10,490	16,918
Loans and advances at amortised cost	18	73,933	67,041	74,410	67,540
Bonds at fair value	19	30,553	28,703	30,553	28,703
Shares etc	20	3,064	2,790	3,064	2,790
Holdings in associates etc	21	165	174	165	174
Holdings in subsidiaries etc	22	-	-	2,128	2,219
Assets related to pooled plans	23	20,597	22,180	20,597	22,180
Intangible assets	24	364	405	363	405
Owner-occupied property	25	1,125	1,131	903	905
Owner-occupied property (leasing)		103	105	103	105
Total land and buildings		1,228	1,236	1,006	1,010
Other property, plant and equipment	26	48	53	48	53
Current tax assets		565	349	571	357
Deferred tax assets	16	8	6	11	11
Other assets	27	8,139	5,955	7,739	5,522
Prepayments		71	64	71	64
Total assets		179,318	168,185	181,309	170,257
Equity and liabilities					
Amounts owed to credit institutions and central banks	28	5,483	6,907	5,483	6,907
Deposits and other debt	29	107,501	93,877	109,637	96,120
Deposits in pooled plans		20,597	22,180	20,597	22,180
Bonds issued at amortised cost	30	13,242	13,313	13,242	13,313
Current tax liabilities		10	19	10	19
Other liabilities	31	17,180	16,447	17,076	16,320
Deferred income		12	6	12	6
Total liabilities		164,025	152,749	166,057	154,865
Provisions	32	197	366	195	364
Subordinated capital	33	1,115	1,858	1,115	1,858
Equity					
Share capital		584	597	584	597
Revaluation reserves		144	132	144	132
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		11,071	10,544	11,071	10,544
Proposed dividend etc		959	713	959	713
Shareholders of Sydbank A/S		13,185	12,413	13,185	12,413
Holders of AT1 capital		757	757	757	757
Minority shareholders		39	42	-	-
Total equity		13,981	13,212	13,942	13,170
Total equity and liabilities		179,318	168,185	181,309	170,257

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 2022	597	132	425	2	10,544	713	12,413	757	42	13,212
Profit for the period				0	897	959	1,856	39	6	1,901
Other comprehensive income		12			42		54			54
Comprehensive income for the year	-	12	-	0	939	959	1,910	39	6	1,955
Transactions with owners										
Purchase of own shares					(1,386)		(1,386)			(1,386)
Sale of own shares					959		959			959
Reduction in share capital	(13)				13		-			-
Interest paid on AT1 capital							-	(39)		(39)
Exchange rate adjustment					0		0	0		-
Dividend etc paid						(713)	(713)		(9)	(722)
Dividend, own shares					2		2			2
Total transactions with owners	(13)	-	-	-	(412)	(713)	(1,138)	(39)	(9)	(1,186)
Equity at 31 Dec 2022	584	144	425	2	11,071	959	13,185	757	39	13,981
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
Comprehensive income for the year	-	28	-	0	742	713	1,483	39	9	1,531
Transactions with owners										
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)
Equity at 31 Dec 2021	597	132	425	2	10,544	713	12,413	757	42	13,212

* 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 2022	597	132	425	2	10,544	713	12,413	757	13,170
Profit for the period				0	939	959	1,898	39	1,937
Other comprehensive income		12			0		12		12
Comprehensive income for the year	-	12	-	0	939	959	1,910	39	1,949
Transactions with owners									
Purchase of own shares					(1,386)		(1,386)		(1,386)
Sale of own shares					959		959		959
Reduction in share capital	(13)				13		-		-
Interest paid on AT1 capital							-	(39)	(39)
Exchange rate adjustment					0		0	0	-
Dividend etc paid						(713)	(713)		(713)
Dividend, own shares					2		2		2
Total transactions with owners	(13)	-	-	-	(412)	(713)	(1,138)	(39)	(1,177)
Equity at 31 Dec 2022	584	144	425	2	11,071	959	13,185	757	13,942
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
Comprehensive income for the year	-	28	-	0	742	713	1,483	39	1,522
Transactions with owners									
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)
Equity at 31 Dec 2021	597	132	425	2	10,544	713	12,413	757	13,170

The share capital comprises 58,387,320 shares at a nominal value of DKK 10 or a total of DKK 583.9m. The Bank has only one class of shares as all shares carry the same rights.

Cash Flow Statement

Sydbank Group

DKKm	2022	2021
Operating activities		
Pre-tax profit for the year	2,405	1,764
Taxes paid	(938)	(790)
<i>Adjustment for non-cash operating items:</i>		
Profit/(Loss) on holdings in associates	0	0
Amortisation and depreciation of intangible assets and property, plant and equipment	115	138
Impairment of loans and advances/guarantees	96	(415)
Other non-cash operating items	(169)	(149)
<i>Changes in working capital:</i>		
Credit institutions and central banks	(6,930)	(5,819)
Trading portfolio	(1,963)	7,925
Other financial instruments at fair value	(198)	241
Loans and advances	(561)	(5,354)
Deposits	13,625	(2,042)
Other assets/liabilities	(1,110)	1,209
Cash flows from operating activities	4,372	(3,292)
Investing activities		
Purchase of holdings in associates	0	(2)
Sale of holdings in associates	8	0
Purchase of equity investments	(228)	(206)
Sale of equity investments	68	139
Sale of holdings in other subsidiaries	0	3
Purchase/sale of intangible assets	0	(1)
Purchase of property, plant and equipment	(72)	(152)
Sale of property, plant and equipment	10	17
Cash flows from investing activities	(214)	(202)
Financing activities		
Purchase and sale of own holdings	(427)	(198)
Dividend etc	(711)	(584)
Redemption of subordinated capital	(744)	-
Issue of bonds	3,718	3,719
Redemption of bonds	(3,718)	-
Cash flows from financing activities	(1,882)	2,937
Cash flows for the year	2,276	(557)
Cash and cash equivalents at 1 Jan	6,324	6,881
Cash flows for the year (changes during the year)	2,276	(557)
Cash and cash equivalents at 31 Dec	8,600	6,324
Cash and cash equivalents at 31 Dec		
Cash and balances on demand at central banks	8,134	5,513
Fully secured cash and cash equivalent balances on demand with credit institutions and insurance companies	466	811
Cash and cash equivalents at 31 Dec	8,600	6,324

Notes

Note 1 Accounting policies

Basis of preparation

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

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

On 1 March 2023 the Board of Directors and the Group Executive Management reviewed and approved the 2022 Annual Report of Sydbank A/S. The Annual Report will be submitted for adoption by the AGM on 23 March 2023.

New accounting policies

The following amended IFRS standards have been implemented effective from 1 January 2022:

- Amendments to IFRS 3, IFRS 9, IAS 16 and IAS 37

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 recognition, the determination will be adjusted

Notes

Note 1 Accounting policies – continued

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 transaction has taken place 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 to settle a liability is not considered when measuring fair value.

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

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

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

Notes

Note 1 Accounting policies – continued

asset (facility) has increased significantly since initial recognition and follow a 3-stage model:

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

Customers with a low PD (< 0.2%) and with no other indication of a significant increase in credit risk are considered as having a low credit risk and the exposure is classified as stage 1 regardless of any change in PD since initial recognition. In addition to loans and advances etc the category of assets with low credit risk comprises Danish government and mortgage bonds as well as amounts owed by Danish credit institutions.

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 (probability of default).

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

Note 1 Accounting policies – continued

department for non-performing exposures or whose probability of loss is higher than 50%, are credit impaired and are classified as stage 3.

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

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

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 of this adjustments of calculated impairment charges are recognised.

Moreover the Group has recognised management estimates which are described in note 2 on page 84.

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 exposures which for regulatory purposes are considered to be in default are always classified as stage 3 except for exposures which are in default as a result of a waiting period. This is the case both as regards the number of days for which material amounts are past

due (90 days) and as regards the assessment of factors that in all likelihood will result in a failure to pay and consequently default for regulatory purposes.

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

Notes

Note 1 Accounting policies – continued

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
- 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 depending on changes in an index or an interest rate.

Lease assets are amortised 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 concluded for the purpose of 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

Note 1 Accounting policies – continued

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 is reduced in equity and bonds issued respectively. Consequently “Deposits in pooled plans” may exceed “Assets related to pooled plans”.

Intangible assets

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

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

Initial recognition of goodwill is at cost in the balance sheet. Subsequent measurement of goodwill is at cost less accumulated impairment charges. Goodwill is not amortised. Goodwill is tested for impairment 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 the 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

Notes

Note 1 Accounting policies – continued

in equity. Similarly the interest expense related to the issue is recognised as dividend. Interest is deducted from equity at the time of payment (date of decision).

Own shares

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

Other liabilities

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

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

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

Employee shares

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

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

Note 1 Accounting policies – continued

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.

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 statement according to IFRS and the Group's performance measures is shown in note 6.

Segment reporting as regards the business units complies with the Group's accounting policies as regards recognition and measurement. Inter-segment transactions are settled on an arm's length basis. Centrally incurred costs are allocated to the business units in accordance with their estimated proportionate share of overall activities.

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

Core income

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

Trading income

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

Core earnings before impairment

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

Notes

Note 1 Accounting policies – continued

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.

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 2022 financial statements. These include IFRS 17 as well as amendments to IAS 1, IAS 8 and IAS 12.

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".

Reporting under the ESEF Regulation

The annual report of Sydbank is prepared in accordance with the ESEF Regulation (Commission Delegated Regulation (EU) 2019/815 on a European single electronic format (ESEF).

The annual report is reported in XHTML format with an iXBRL tagging as regards the consolidated financial statements including notes. The ESEF Regulation requires the use of the special electronic reporting format as regards annual reports of listed companies and stipulates general rules for the format of the annual report and more specific rules as regards the tagging of the consolidated financial statements including notes.

By combining the XHTML format and iXBRL tagging the consolidated financial statements are machine-readable and the comparability of accounting data is improved.

The consolidated financial statements including notes have been tagged in iXBRL using the ESEF taxonomy, which is part of the ESEF Regulation.

The annual report consists of the XHTML document and the technical files that are all included in the ZIP file "Sydbank-2022-12-31-da.zip".

Key definitions

XHTML (eXtensible HyperText Markup Language) is used to structure and markup contents in documents to be shown in standard browsers.

iXBRL tagging is hidden information contained in the source code in the XHTML document allowing for conversion of information into machine-readable XBRL data.

Note 1 Accounting policies – continued

ESEF data	
Domicile of entity	Denmark
Name of ultimate parent of Group	Sydbank A/S (listed on Nasdaq Copenhagen)
Description of nature of entity's operations and principal activities	Financial business, banking
Country of incorporation	Denmark
Principal place of business	Denmark
Explanation of change in name of reporting entity	N/A
Legal form of entity	A/S (public limited company)
Name of reporting entity	Sydbank A/S
Name of parent entity	Sydbank A/S (listed on Nasdaq Copenhagen)
Address of entity's registered office	Peberlyk 4 6200 Aabenraa

Notes

Note 2 Accounting estimates and judgements

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

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

- Measurement of loans and advances and guarantees etc, including in particular the management estimate as regards macroeconomic risks
- 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 and is therefore 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 2022 the probability of the downturn scenario was fixed at 95%, which is unchanged compared with 31 December 2021.

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 assesses whether there is a need for additional 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 2021 the management estimate to cover losses as a result of the economic consequences of covid-19 totalled DKK 325m. In addition the management estimate for pig farming constituted DKK 60m.

At 30 September 2022 the management estimates related to covid-19 and pig farming were reversed and the Group recorded a new management estimate to hedge macroeconomic uncertainty.

At 31 December 2022 the Group had a management estimate of DKK 500m to hedge macroeconomic uncertainty. The management estimate represents DKK 400m as regards corporate clients and DKK 100m as regards retail clients.

The management estimate as regards macroeconomic risks covers potential losses related to the negative effects of high energy prices, a high inflation rate as well as the risk of a recession etc.

Reference is made to the notes on risk management for a more detailed description of impairment charges for loans and advances. Loans and advances constituted 47% of the Group's assets at the end of 2022.

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.

Note 2 Accounting estimates and judgements – continued

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 represented DKK 2,382m, equivalent to 1.3% of the Group's assets at the end of 2022.

Notes

Note 3 Solvency

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

Credit risk outside trading portfolio, retail clients	Advanced IRB
Credit risk outside trading portfolio, corporate clients	Advanced 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 customers' 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	
	2022	2021
CET1 ratio	17.3	17.9
T1 capital ratio	18.6	19.3
Capital ratio	19.6	22.8
Total capital		
Equity, shareholders of Sydbank A/S	13,185	12,413
Prudent valuation	(70)	(73)
Actual or contingent obligations to purchase own shares	(9)	(9)
Proposed dividend	(959)	(713)
Intangible assets and capitalised deferred tax assets	(302)	(351)
Significant investments in the financial sector	(1,387)	(1,073)
Transitional arrangement IFRS 9	42	89
Insufficient coverage for non-performing exposures	(16)	(6)
CET1 capital	10,484	10,277
AT1 capital – equity	744	744
AT1 capital – debt	-	55
T1 capital	11,227	11,076
T2 capital	557	1,802
Instruments in entities in the financial sector in which the institution has significant investments	(156)	-
Difference between expected losses and impairment for accounting purposes	234	204
Total capital	11,863	13,082

Note 3 Solvency – continued**Sydbank Group**

DKKm	2022	2021
Credit risk	41,018	38,849
Market risk	5,363	5,467
Operational risk	8,137	7,195
Other exposures, incl CVA	5,954	5,904
REA	60,472	57,415
Pillar I capital requirement (8%)	4,838	4,593

Note 4 Leverage ratio**Sydbank Group****Sydbank A/S**

	2022	2021	2022	2021
Leverage ratio exposures				
Total assets	179,318	168,185	181,309	170,257
Of which pooled assets	(20,597)	(22,180)	(20,597)	(22,180)
Correction derivatives etc	968	5,053	968	5,053
Guarantees etc	15,949	19,722	15,949	19,722
Undrawn credit commitments etc	11,733	10,348	11,748	10,363
Other adjustments	(2,280)	(2,425)	(2,273)	(2,425)
Total	185,091	178,703	187,104	180,790
T1 capital – current (transitional rules)	11,227	11,076	11,227	11,076
T1 capital – fully loaded	11,185	10,932	11,185	10,932
Leverage ratio (%) – current (transitional rules)	6.1	6.2	6.0	6.1
Leverage ratio (%) – fully loaded	6.0	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 customers and investment funds.

Sydbank Markets comprises trading income as well as a share of the income from customers with decentral affiliation calculated on the basis of the market price thereof. The share represents the payment by Banking for Sydbank Markets' facilities, including advisory services and administration.

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

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

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

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

Notes

Note 5 Segment reporting – continued

Sydbank Group

DKKm	Banking	Asset Management	Sydbank Markets	Treasury	Other	Total
Operating segments 2022						
Core income*	4,736	351	107	-	-	5,194
Trading income	-	-	284	-	-	284
Total income	4,736	351	391	-	-	5,478
Costs, core earnings	2,682	118	169	-	71	3,040
Impairment of loans and advances etc	(99)	-	-	-	-	(99)
Core earnings	2,153	233	222	-	(71)	2,537
Investment portfolio earnings	2	-	-	(143)	-	(141)
Profit before non-recurring items	2,155	233	222	(143)	(71)	2,396
Non-recurring items, net	9	-	-	-	-	9
Profit before tax	2,164	233	222	(143)	(71)	2,405
Depreciation and impairment of property, plant and equipment	105	3	6	-	1	115
Full-time staff at 31 Dec	1,857	45	108	4	20	2,034
Operating segments 2021						
Core income*	3,943	380	113	-	-	4,436
Trading income	-	-	291	-	-	291
Total income	3,943	380	404	-	-	4,727
Costs, core earnings	2,786	140	188	-	63	3,177
Impairment of loans and advances etc	(415)	-	-	-	-	(415)
Core earnings	1,572	240	216	-	(63)	1,965
Investment portfolio earnings	4	-	-	(25)	-	(21)
Profit before non-recurring items	1,576	240	216	(25)	(63)	1,944
Non-recurring items, net	(43)	(10)	(127)	-	-	(180)
Profit before tax	1,533	230	89	(25)	(63)	1,764
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

* 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.

Note 5 Segment reporting – continued
Sydbank Group

DKKm	2022		2021	
	Total income	Assets	Total income	Assets
Geographical segments				
Denmark	5,233	1,751	4,525	1,838
Abroad	245	54	202	52
Total	5,478	1,805	4,727	1,890

Income from external customers 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	2022			Profit before tax
					Core earnings	Investment portfolio earnings	Non-recurring items, net	
2022								
Net interest and fee income	4,794	229			5,023	(43)	1	4,981
Market value adjustments	368	55	-	3	426	(91)	51	386
Other operating income	24				24			24
Income	5,186	284	-	3	5,473	(134)	52	5,391
Staff costs and administrative expenses			(2,881)		(2,881)	(7)	(43)	(2,931)
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment			(115)		(115)			(115)
Other operating expenses			(44)		(44)			(44)
Impairment of loans and advances etc				96	96			96
Profit/(Loss) on holdings in associates and subsidiaries	8				8			8
Profit before tax	5,194	284	(3,040)	99	2,537	(141)	9	2,405
2021								
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
Income	4,429	291	-	0	4,720	(14)	45	4,751
Staff costs and administrative expenses			(3,005)		(3,005)	(7)	(225)	(3,237)
Amortisation, 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
Profit before tax	4,436	291	(3,177)	415	1,965	(21)	(180)	1,764

Notes

Note 7 Interest income	Sydbank Group		Sydbank A/S		
	DKKm	2022	2021	2022	2021
Interest income calculated using the effective interest method					
Amounts owed by credit institutions and central banks		121	28	121	30
Loans and advances and other amounts owed		2,166	1,606	2,172	1,611
Other interest income		1	1	1	1
Interest on amounts owed to credit institutions*		4	6	4	6
Interest on deposits*		354	440	354	440
Total		2,646	2,081	2,652	2,088
Other interest income					
Repo transactions with credit institutions and central banks and repo deposits*		56	33	56	33
Bonds		133	107	133	107
Total derivatives		251	143	251	143
comprising:					
Foreign exchange contracts		45	25	45	25
Interest rate contracts		206	118	206	118
Other contracts		0	0	0	0
Total		440	283	440	283
Total		3,086	2,364	3,092	2,371
* Negative interest expense					
Fair value, designated at initial recognition		56	33	56	33
Fair value, held for trading		384	250	384	250
Assets recognised at amortised cost		2,646	2,081	2,652	2,088
Total		3,086	2,364	3,092	2,371

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 8 Interest expense	Sydbank Group		Sydbank A/S	
	2022	2021	2022	2021
DKKm				
Reverse transactions with credit institutions and central banks and reverse loans and advances*	68	99	68	99
Amounts owed to credit institutions and central banks	9	2	9	2
Deposits and other debt	162	53	165	51
Bonds*	3	16	3	16
Bonds issued	166	132	166	132
Interest on amounts owed by credit institutions and central banks*	55	108	55	108
Subordinated capital	22	26	22	26
Other interest expense	2	1	2	1
Total	487	437	490	435
* Negative interest income				
Fair value, designated at initial recognition	68	99	68	99
Fair value, held for trading	3	16	3	16
Liabilities recognised at amortised cost	416	322	419	320
Total	487	437	490	435

Note 9 Dividends on shares

Fair value, designated at initial recognition (FVPL)	30	25	29	25
Fair value, held for trading	-	-	13	-
Total	30	25	42	25

Note 10 Fee and commission income

Securities trading and custody accounts	823	899	699	754
Advisory fee, asset management	365	411	365	411
Payment services	347	313	347	313
Loan fees	266	201	266	201
Guarantee commission	183	161	183	161
Income concerning funded mortgage-like loans	63	93	63	93
Other fees and commission	624	546	624	545
Total fee and commission income	2,671	2,624	2,547	2,478
Fee expense, asset management	14	11	14	11
Other fee and commission expense	305	313	280	279
Total fee and commission expense	319	324	294	290
Net fee and commission income	2,352	2,300	2,353	2,188

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 8m (2021: DKK 1.3m) and has been deducted from commission received which is included under other fees and commission.

Notes

Note 11 Market value adjustments

DKKm	Sydbank Group		Sydbank A/S	
	2022	2021	2022	2021
Other loans and advances and amounts owed at fair value	106	80	106	80
Bonds	(391)	(82)	(391)	(82)
Shares etc	122	198	163	317
Foreign exchange	243	213	243	213
Derivatives	306	65	306	65
Assets related to pooled plans	(2,954)	2,104	(2,954)	2,104
Deposits in pooled plans	2,954	(2,104)	2,954	(2,104)
Other assets/liabilities	0	0	0	0
Total	386	474	427	593
Fair value, held for trading, trading portfolio	272	329	272	329
Fair value, designated at initial recognition, equity investments (FVPL)	141	145	155	264
Total	386	474	427	593

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	14	14	14
Other operating income	10	10	11	12
Total	24	24	25	26

Note 13 Staff costs and administrative expenses

DKKm	Sydbank Group		Sydbank A/S	
	2022	2021	2022	2021
Salaries and remuneration				
Group Executive Management	23	21	23	21
Board of Directors	7	7	7	7
Shareholders' Committee	3	3	3	3
Total	33	31	33	31
Staff costs				
Wages and salaries	1,373	1,451	1,333	1,412
Pensions	151	153	147	149
Social security contributions	12	18	11	18
Payroll tax	187	193	181	187
Total	1,723	1,815	1,672	1,766
Other administrative expenses				
IT	837	995	827	983
Rent etc	102	95	98	108
Marketing and entertainment expenses	88	93	76	82
Other costs	148	208	165	209
Total	1,175	1,391	1,166	1,382
Total	2,931	3,237	2,871	3,179
Audit fees				
Statutory audit	2	2	2	2
Other assurance engagements	1	0	1	0
Tax consultancy	1	0	1	0
Fees for other services	0	2	0	2
Total	4	4	4	4
<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. Moreover services have included reports provided in connection with internal controls and ESG issues as well as consulting on VAT and duties.</p> <p>In addition to fees paid to the independent auditor, operating expenses have been incurred as regards the Group's Internal Audit.</p>				
Staff				
Average number of staff (full-time equivalent)	2,072	2,168	2,004	2,096

Notes

Note 13 Staff costs and administrative expenses – continued

DKK thousand	Sydbank Group		Sydbank A/S	
	2022	2021	2022	2021
Directors' remuneration				
Directors' remuneration	5,434	5,327	5,434	5,327
Committee fee*	1,759	1,724	1,759	1,724
Total	7,193	7,051	7,193	7,051

* Of which:

Audit Committee	467	458	467	458
Risk Committee	467	458	467	458
Remuneration Committee	179	176	179	176
Nomination Committee	277	271	277	271
Digitization Committee	369	361	369	361

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.

DKKm	Sydbank Group		Sydbank A/S	
	2022	2021	2022	2021
Remuneration of the Group Executive Management				
Fixed remuneration	18.3	20.9	18.3	20.9
Variable remuneration	0.0	0.0	0.0	0.0
Benefits by way of company car etc	0.8	0.8	0.8	0.8
Severance pay	4.1	-	4.1	-
Of which fees received in connection with directorships	(0.6)	(0.6)	(0.6)	(0.6)
Group costs	22.6	21.1	22.6	21.1

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

Group costs include a privately paid pension.

Group Executive Management – severance terms

Karen Frøsig, Bjarne Larsen and Jørn Adam Møller

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

Details about remuneration for members of the Board of Directors and the Group Executive Management for 2022 are available at the Bank's website sydbank.com/about/investor-relations/corporate-governance.

The Bank's remuneration policy is available at the Bank's website sydbank.dk/omsydbank/organisation – see "Lønudvalg" (in Danish only).

Note 13 Staff costs and administrative expenses – continued DKK m	Sydbank Group		Sydbank A/S	
	2022	2021	2022	2021
Remuneration to material risk takers				
Fixed remuneration	44.6	44.1	42.8	42.5
Variable remuneration	0.0	0.2	0.0	0.1
Total	44.6	44.3	42.8	42.6
Number of full-time staff (average)	27.2	27.2	26.2	26.2
Remuneration to material control functions				
Fixed remuneration	15.8	13.9	15.8	13.9
Variable remuneration	0.0	0.0	0.0	0.0
Total	15.8	13.9	15.8	13.9
Number of full-time staff (average)	12.6	11.4	12.6	11.4

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 in the form of a company car and telephone etc, cf the Group's remuneration policy.

Note 14 Impairment of loans and advances etc

Impairment of loans and advances recognised in the income statement				
Impairment and provisions	25	(214)	25	(214)
Write-offs	19	44	19	44
Recovered from debt previously written off	140	245	140	245
Impairment of loans and advances etc	(96)	(415)	(96)	(415)
Impairment and provisions at 31 Dec (allowance account)				
Stage 1	133	313	133	313
Stage 2	628	690	628	690
Stage 3	668	646	891	801
Management estimates	500	325	500	325
Impairment and provisions at 31 Dec	1,929	1,974	2,152	2,129
Impairment and provisions				
Impairment and provisions at 1 Jan	1,974	2,229	2,129	2,386
New impairment charges and provisions during the period, net	(16)	(158)	52	(160)
Impairment charges previously recorded, now finally written off	29	97	29	97
Impairment and provisions at 31 Dec	1,929	1,974	2,152	2,129
Impairment charges for loans and advances	1,740	1,830	1,963	1,985
Provisions for undrawn credit commitments	73	48	73	48
Provisions for guarantees	116	96	116	96
Impairment and provisions at 31 Dec	1,929	1,974	2,152	2,129

Losses recognised for the year where a legal claim has been upheld represented DKK 37m at year-end 2022 (2021: DKK 182m).

Notes

Note 15 Profit/(Loss) on holdings in associates and subsidiaries	Sydbank Group		Sydbank A/S		
	DKKm	2022	2021	2022	2021
Profit/(Loss) on holdings in associates etc		8	7	8	7
Profit/(Loss) on holdings in subsidiaries		-	-	23	18
Total		8	7	31	25

Note 16 Tax

Tax calculated on income for the year	455	447	461	465
Deferred tax	37	(89)	40	(102)
Adjustment of prior year tax charges	12	(5)	12	(5)
Total	504	353	513	358
Of which tax in Germany	25	19	25	19

Effective tax rate

Current tax rate of Sydbank	22.0	22.0	22.0	22.0
Permanent differences	(1.5)	(1.7)	(1.6)	(2.4)
Adjustment of prior year tax charges and deferred taxes	0.5	(0.3)	0.5	(0.3)
Effective tax rate	21.0	20.0	20.9	19.3
Of which effective tax rate in Germany	30.8	30.9	30.8	30.9

Deferred tax

Deferred tax at 1 Jan	196	286	189	292
Deferred tax for the year recognised in profit for the year	(200)	(90)	(197)	(103)
Deferred tax for the year recognised directly in equity	0	0	0	0
Deferred tax at 31 Dec, net	(4)	196	(8)	189
Deferred tax assets	8	6	11	11
Deferred tax liabilities	4	202	3	200
Deferred tax at 31 Dec, net	(4)	196	(8)	189

Note 16 Tax – continued
Sydbank Group

DKKm	2022				2021			
	1 Jan	Recognised in profit for the year	Recognised directly in equity	31 Dec	1 Jan	Recognised in profit for the year	Recognised directly in equity	31 Dec
Breakdown of deferred tax								
Loans and advances at amortised cost (incl IFRS 9 adjustment)	200	(134)	-	66	277	(77)	-	200
Shares	0	0	-	0	0	0	-	0
Land and buildings	3	1	-	4	2	1	-	3
Property, plant and equipment	(23)	(3)	-	(26)	(23)	0	-	(23)
Intangible assets	59	5	-	64	64	(5)	-	59
Other assets	(5)	(59)	-	(64)	17	(22)	-	(5)
Provisions	(1)	0	-	(1)	(1)	0	-	(1)
Other liabilities	(34)	(10)	-	(44)	(25)	(9)	-	(34)
Capitalised losses, jointly taxed income	0	0	-	0	(22)	22	-	0
AT1 capital	(3)	0	0	(3)	(3)	0	0	(3)
Deferred tax at 31 Dec, net	196	(200)	0	(4)	286	(90)	0	196

Note 17 Amounts owed by credit institutions and central banks
Sydbank Group
Sydbank A/S

DKKm	2022	2021	2022	2021
Amounts owed at notice by central banks	18,591	12,478	18,591	12,478
Amounts owed by credit institutions	3,368	4,320	3,368	4,320
Total	21,959	16,798	21,959	16,798
On demand	639	811	639	811
3 months or less	21,320	15,987	21,320	15,987
Total	21,959	16,798	21,959	16,798
Of which reverse transactions	2,891	2,932	2,891	2,932

Notes

Note 18 Loans and advances

DKKm	Sydbank Group		Sydbank A/S	
	2022	2021	2022	2021
On demand	21,485	17,552	21,786	17,876
3 months or less	11,806	18,296	11,806	18,296
Over 3 months not exceeding 1 year	27,818	24,281	27,818	24,281
Over 1 year not exceeding 5 years	14,341	14,439	14,517	14,614
Over 5 years	8,973	9,391	8,973	9,391
Total	84,423	83,959	84,900	84,458
Loans and advances at fair value – reverse transactions	10,490	16,918	10,490	16,918
Loans and advances at amortised cost – bank loans and advances	73,933	67,041	74,410	67,540
Total	84,423	83,959	84,900	84,458

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

Agriculture, hunting, forestry and fisheries	3.4	3.5	3.4	3.6
Manufacturing and extraction of raw materials	12.8	9.8	12.7	9.8
Energy supply etc	4.0	3.5	4.0	3.5
Building and construction	6.2	5.4	6.2	5.3
Trade	21.5	15.4	21.6	15.6
Transportation, hotels and restaurants	3.4	3.1	3.4	3.1
Information and communication	0.4	0.5	0.4	0.5
Finance and insurance	17.5	22.8	17.6	22.8
Real property	5.7	5.6	5.7	5.6
Other industries	4.6	4.0	4.6	3.9
Total corporate	79.5	73.6	79.6	73.7
Public authorities	0.1	0.1	0.1	0.1
Retail	20.4	26.3	20.3	26.2
Total	100.0	100.0	100.0	100.0

Collateral received and types of collateral

Loans and advances at fair value	10,490	16,918	10,490	16,918
Loans and advances at amortised cost	73,933	67,041	74,410	67,540
Guarantees	15,949	19,722	15,949	19,722
Credit exposure for accounting purposes	100,372	103,681	100,849	104,180
Collateral value	57,739	64,311	57,739	64,311
Total unsecured	42,633	39,370	43,110	39,869

Types of collateral

Real property	11,659	11,793	11,659	11,793
Financial collateral	17,311	22,833	17,311	22,833
Lease assets, mortgages etc	6,899	6,973	6,899	6,973
Floating charges, operating equipment etc	10,141	9,092	10,141	9,092
Guarantees	2,661	1,936	2,661	1,936
Other items of collateral	119	624	119	624
Total collateral used	48,790	53,251	48,790	53,251
Particularly secured transactions (mortgage guarantees)	8,949	11,060	8,949	11,060
Total	57,739	64,311	57,739	64,311

In the event that the Group uses collateral that is not immediately convertible into cash, it is the Group's policy to dispose of such assets as quickly as possible. In 2022 repossessed equipment in connection with non-performing exposures amounted to DKK 47m (2021: DKK 23m). 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.

Note 18 Loans and advances – continued

Sydbank Group

DKKm	2022				2021			
	Loans/ advances	Guaran- tees	Collateral value	Un- secured	Loans/ advances	Guaran- tees	Collateral value	Un- secured
Collateral by rating category								
Rating category								
1	13,803	4,720	15,208	3,315	8,778	6,781	14,609	950
2	24,424	5,361	12,711	17,074	25,308	4,385	14,873	14,820
3	15,634	2,143	11,355	6,422	20,212	3,144	12,329	11,027
4	17,366	1,639	8,085	10,920	16,578	1,454	11,235	6,797
5	6,219	794	3,819	3,194	4,640	947	3,067	2,520
6	2,115	161	1,490	786	2,290	355	1,343	1,302
7	1,695	114	1,089	720	393	56	236	213
8	505	66	405	166	232	31	140	123
9	1,384	164	1,017	531	1,517	179	817	879
Default	1,186	161	299	1,048	1,076	133	777	432
NR/STD*	1,832	626	2,261	197	4,765	2,257	4,885	2,137
Total	86,163	15,949	57,739	44,373	85,789	19,722	64,311	41,200
Impairment of loans and advances	1,740	-	-	1,740	1,830	-	-	1,830
Total	84,423	15,949	57,739	42,633	83,959	19,722	64,311	39,370
Stage 1	77,621	15,018	53,202	39,437	80,732	19,028	61,414	38,346
Stage 2	6,151	731	4,398	2,484	2,549	490	2,135	904
Stage 3	510	200	139	571	507	137	544	100
Credit impaired at initial recognition	141	0		141	171	67	218	20
Total	84,423	15,949	57,739	42,633	83,959	19,722	64,311	39,370

* The portfolio acquired from Alm. Brand Bank is included in STD in 2021.

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	2022			2021		
	Retail	Corporate	Total	Retail	Corporate	Total
Past due amounts but not impaired*						
0-30 days	56	85	141	60	88	148
31-60 days	1	0	1	2	0	2
61-90 days	2	0	2	6	0	6
Total	59	85	144	68	88	156
Rating category						
1	20	3	23	6	0	6
2	12	8	20	3	1	4
3	11	10	21	0	0	0
4	4	35	39	10	0	10
5	3	12	15	0	0	0
6	1	7	8	20	32	52
7	2	4	6	0	0	0
8	3	1	4	9	2	11
9	3	3	6	0	17	17
NR/STD	0	2	2	20	36	56
Total	59	85	144	68	88	156

* 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					2022	2021
	Stage 1	Stage 2	Stage 3	Credit impaired at initial recognition*	Total	Total
Loans and advances, guarantees and allowance account by stage						
Loans and advances before impairment charges	67,502	6,844	1,186	141	75,673	68,871
Guarantees	15,018	731	200		15,949	19,722
Total loans and advances and guarantees	82,520	7,575	1,386	141	91,622	88,593
%	90.1	8.3	1.5	0.2	100.0	100.0
Total allowance account						
Impairment charges for loans and advances	371	693	676		1,740	1,830
Provisions for undrawn credit commitments	21	30	22		73	48
Provisions for guarantees*	8	34	74		116	96
Total allowance account	400	757	772	0	1,929	1,974
Total allowance account at 31 Dec						
Allowance account at 1 Jan	525	803	646		1,974	2,229
New impairment charges and provisions during the period, net	(125)	(46)	155		(16)	(158)
Impairment charges previously recorded, now finally written off			29		29	97
Total allowance account at 31 Dec	400	757	772	0	1,929	1,974
Impairment charges as % of loans and advances						
Impairment charges as % of loans and advances	0.5	10.1	57.0		2.3	2.7
Provisions as % of guarantees	0.1	4.7	37.0		0.7	0.5
Allowance account as % of loans and advances and guarantees						
Allowance account as % of loans and advances and guarantees	0.5	10.0	55.7	0	2.1	2.2
Loans and advances after impairment charges						
Loans and advances before impairment charges	67,502	6,844	1,186	141	75,673	68,871
Impairment charges for loans and advances	371	693	676		1,740	1,830
Loans and advances after impairment charges	67,131	6,151	510	141	73,933	67,041
%	90.8	8.3	0.7	0.2	100.0	100.0

* Loans and advances before impairment charges recognised as credit impaired at initial recognition total DKK 358m.

The Group's models to calculate impairment charges as regards 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. See note 2 "Accounting estimates and judgements" on page 84 for a more detailed description.

In addition to individually calculated impairment charges, a management estimate of DKK 500m was recognised at year-end 2022 (2021: DKK 325m) to hedge macroeconomic uncertainty.

Note 18 Loans and advances – continued

Sydbank Group

DKKm	Allowance account		Impairment of loans and advances etc	
	2022	2021	2022	2021
Industry breakdown of the Group's allowance account and impairment of loans and advances etc recognised in the income statement				
Industry				
Agriculture, hunting, forestry and fisheries	238	283	(127)	(251)
Manufacturing and extraction of raw materials	323	261	56	(87)
Energy supply etc	18	26	(6)	8
Building and construction	176	130	84	(5)
Trade	455	364	140	(1)
Transportation, hotels and restaurants	93	99	(8)	16
Information and communication	12	6	7	1
Finance and insurance	65	95	(19)	12
Real property	52	106	(26)	(30)
Other industries	108	146	(55)	22
Total corporate	1,540	1,516	46	(315)
Public authorities	0	0	0	0
Retail	389	458	(142)	(100)
Total	1,929	1,974	(96)	(415)

Notes

Note 18 Loans and advances – continued

Sydbank Group

DKKm				Credit impaired at initial recognition	2022	2021
	Stage 1	Stage 2	Stage 3		Total	Total
Loans and advances before impairment charges						
Rating category						
1	10,093	1			10,094	5,793
2	22,419				22,419	19,629
3	10,848	10			10,858	18,108
4	16,627	739			17,366	10,428
5	4,299	1,920			6,219	4,640
6	1,297	818			2,115	2,290
7	248	1,447			1,695	393
8		505			505	232
9		1,384			1,384	1,517
Default			1,186		1,186	1,076
NR/STD	1,671	20		141	1,832	4,765
Total	67,502	6,844	1,186	141	75,673	68,871

Impairment of loans and advances

Rating category

1	1				1	38
2	17				17	112
3	80				80	88
4	96	14			110	81
5	78	55			133	58
6	68	34			102	75
7	20	84			104	54
8		45			45	38
9		445			445	506
Default		2	647		649	569
NR/STD	11	14	29		54	211
Total	371	693	676	0	1,740	1,830

Loans and advances after impairment charges

Rating category

1	10,092	1			10,093	5,755
2	22,402	0			22,402	19,517
3	10,768	10			10,778	18,020
4	16,531	725			17,256	10,347
5	4,221	1,865			6,086	4,582
6	1,229	784			2,013	2,215
7	228	1,363			1,591	339
8		460			460	194
9		939			939	1,011
Default		(2)	539		537	507
NR/STD	1,660	6	(29)	141	1,778	4,554
Total	67,131	6,151	510	141	73,933	67,041

Note 18 Loans and advances – continued

Sydbank Group

DKKm					2022	2021
	Stage 1	Stage 2	Stage 3	Credit impaired at initial recognition	Total	Total
Loans and advances before impairment charges						
1 Jan	64,296	3,306	1,098	171	68,871	62,278
Transfers between stages						
Transferred to stage 1	678	(668)	(10)		-	-
Transferred to stage 2	(3,958)	4,042	(84)		-	-
Transferred to stage 3	(159)	(218)	377		-	-
New exposures	17,841	1,120	165		19,126	17,788
Redeemed exposures	(12,020)	(585)	(153)		(12,758)	(11,952)
Changes in balances	824	(153)	(161)	(30)	480	894
Write-offs			(46)		(46)	(137)
31 Dec	67,502	6,844	1,186	141	75,673	68,871
Impairment of loans and advances						
1 Jan	482	757	591	-	1,830	2,049
Transfers between stages						
Transferred to stage 1	111	(109)	(2)		-	-
Transferred to stage 2	(34)	53	(19)		-	-
Transferred to stage 3	(4)	(47)	51		-	-
New exposures	104	83	89		276	882
Redeemed exposures	(135)	(223)	(172)		(530)	(870)
Changes in balances	(153)	179	167		193	(134)
Write-offs			(29)		(29)	(97)
31 Dec	371	693	676	-	1,740	1,830
Loans and advances after impairment charges						
1 Jan	63,814	2,549	507	171	67,041	60,229
Transfers between stages						
Transferred to stage 1	567	(559)	(8)		-	-
Transferred to stage 2	(3,924)	3,989	(65)		-	-
Transferred to stage 3	(155)	(171)	326		-	-
New exposures	17,737	1,037	76		18,850	16,906
Redeemed exposures	(11,885)	(362)	19		(12,228)	(11,082)
Changes in balances	977	(332)	(328)	(30)	287	1,028
Write-offs	0	0	(17)		(17)	(40)
31 Dec	67,131	6,151	510	141	73,933	67,041

The migration between stages is affected by the new definition of default.

Notes

Note 18 Loans and advances – continued

Sydbank Group

DKKm	2022				2021			
	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
Rating category								
1	13,780		23	13,803	8,772		6	8,778
2	24,404		20	24,424	25,304		4	25,308
3	15,613		21	15,634	20,212		0	20,212
4	17,327		39	17,366	16,568		10	16,578
5	6,204		15	6,219	4,640		0	4,640
6	2,107		8	2,115	2,238		52	2,290
7	1,689		6	1,695	393		0	393
8	501		4	505	221		11	232
9	233	1,145	6	1,384	181	1,319	17	1,517
Default	0	1,186	0	1,186	0	1,076	0	1,076
NR/STD	1,661	169	2	1,832	4,413	296	56	4,765
	83,519	2,500	144	86,163	82,942	2,691	156	85,789
Impairment charges	862	878	0	1,740	844	986	0	1,830
Total	82,657	1,622	144	84,423	82,098	1,705	156	83,959

Sydbank Group

DKKm	2022			2021		
	Gross investment	Unearned interest	Net investment	Gross investment	Unearned interest	Net investment
Lease payment receivables – finance leases						
1 year or less	2,327	199	2,128	2,389	75	2,314
Over 1 year not exceeding 5 years	5,448	382	5,066	4,624	157	4,467
Over 5 years	822	44	778	454	9	445
Total	8,597	625	7,972	7,467	241	7,226

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 included finance lease payment receivables of DKK 7,972m at year-end 2022 (2021: DKK 7,226m). Impairment charges for uncollectible lease payment receivables represented DKK 0m in 2022 (2021: DKK 0m).

Note 18 Loans and advances – continued

Sydbank Group

DKKm	2022			2021		
	Loans/ advances and guarantees before impair- ment charges	Impairment charges	Book value	Loans/ advances and guarantees before impair- ment charges	Impairment charges	Book value
Forborne loans and advances and guarantees						
Stage 1	29	1	28	80	0	80
Stage 2	76	24	52	131	35	96
Stage 3	385	221	164	533	272	261
Total	490	246	244	744	307	437
Credit impaired non-defaulted loans and advances and guarantees	98	22	76	188	27	161
Credit impaired defaulted loans and advances and guarantees	392	224	168	556	280	276
Total	490	246	244	744	307	437
Due to financial difficulties:						
- Interest rates have been reduced	185	123	62	177	90	87
- Interest-only terms have been granted	162	76	86	85	40	45
- Other special terms have been granted	143	47	96	482	177	305
Total	490	246	244	744	307	437

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
2022					
Credit impaired loans and advances					
Corporate	1,162	589	573	560	13
Retail	165	87	78	92	(14)
Total	1,327	676	651	652	(1)
2021					
Credit impaired loans and advances					
Corporate	1,095	489	606	421	185
Retail	174	102	72	57	15
Total	1,269	591	678	478	200

Notes

Note 19 Bonds at fair value

DKKm	Sydbank Group		Sydbank A/S	
	2022	2021	2022	2021
Government bonds	622	359	622	359
Mortgage bonds	28,468	26,836	28,468	26,836
Other bonds	1,463	1,508	1,463	1,508
Total	30,553	28,703	30,553	28,703

Government bonds – by country

Denmark	330	359	330	359
Germany	292	-	292	-
Total	622	359	622	359

Note 20 Shares etc

Listed on Nasdaq Copenhagen A/S	626	552	626	552
Listed on other exchanges	0	2	0	2
Unlisted shares recognised at fair value	2,438	2,236	2,438	2,236
Total	3,064	2,790	3,064	2,790

Trading portfolio	159	198	159	198
Portfolio of equity investments, FVPL	2,414	2,183	2,414	2,183
Portfolio of equity investments, FVOCI	491	409	491	409
Total	3,064	2,790	3,064	2,790

Note 21 Holdings in associates etc

Carrying amount at 1 Jan	174	173	174	173
Of which credit institutions	-	-	-	-

Cost at 1 Jan	174	172	174	172
Additions	-	2	-	2
Disposals	9	-	9	-
Cost at 31 Dec	165	174	165	174

Revaluations and impairment charges at 1 Jan	0	1	0	1
Dividend	(8)	(8)	(8)	(8)
Share of profit	8	7	8	7
Reversal of revaluations and impairment charges	0	-	0	-
Revaluations and impairment charges at 31 Dec	0	0	0	0
Carrying amount at 31 Dec	165	174	165	174

Note 22 Holdings in subsidiaries etc

Sydbank A/S

DKKm	2022	2021
Carrying amount at 1 Jan	2,219	3,425
Cost at 1 Jan	2,385	4,454
Exchange rate adjustment	-	-
Additions	-	-
Disposals	39	2,069
Cost at 31 Dec	2,346	2,385
Revaluations and impairment charges at 1 Jan	(166)	(1,029)
Exchange rate adjustment	-	-
Profit/(Loss)	23	83
Dividend	(17)	(143)
Other capital movements	-	143
Reversal of revaluations and impairment charges	(58)	780
Revaluations and impairment charges at 31 Dec	(219)	(166)
Carrying amount at 31 Dec	2,128	2,219

Note 23 Assets related to pooled plans

Sydbank Group

Sydbank A/S

DKKm	2022	2021	2022	2021
Cash deposits	119	490	119	490
Indexed bonds	0	0	0	0
Other bonds	6,947	6,890	6,947	6,890
Other shares etc	7,185	8,945	7,185	8,945
Units	6,347	5,856	6,347	5,856
Other items	(1)	(1)	(1)	(1)
Total	20,597	22,180	20,597	22,180

Notes

Note 24 Intangible assets

Intangible assets

The Group's intangible assets comprise the value of customer relationships as well as goodwill acquired in connection with acquisitions. Activities acquired are allocated to the operating segments Banking, Asset Management and Sydbank Markets.

Goodwill represented DKK 170m at year-end 2022 (2021: DKK 170m) and primarily concerned Banking. Goodwill is tested for impairment once a year.

The impairment test carried out in 2022 did not result in impairment of goodwill. The value of customer relationships represented DKK 193m at year-end 2022 (2021: DKK 235m).

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 2022 as follows:

- Profit for the year in 2022 represents DKK 1.9bn
- Earnings for the budget period are based on a budget for 2023 as approved by management
- Equity for 2022 is affected by dividend paid for 2021 of DKK 713m as well as a share buyback of DKK 425m
- The risk exposure amount is based on the 2022 estimate
- The discount rate (cost of equity) has been calculated at 11.0%
- 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 constituted 14.1% before tax and 11.0% after tax at year-end 2022 (2021: 8.8% before tax and 6.9% 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 2022.

An increase in the Group's risk-adjusted required rate of return from 11.0% to for instance 15.0% would not result in goodwill impairment. Correspondingly a decline in estimated growth in the terminal period of 1.0pp 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	
	2022	2021	2022	2021
Carrying amount at 1 Jan	405	445	405	445
Cost at 1 Jan	615	614	610	609
Additions	1	1	-	1
Disposals	1	0	1	0
Cost at 31 Dec	615	615	609	610
Amortisation and impairment charges at 1 Jan	210	169	205	164
Amortisation and impairment charges for the year	41	41	41	41
Amortisation and impairment charges at 31 Dec	251	210	246	205
Carrying amount at 31 Dec	364	405	363	405

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

Note 25 Owner-occupied property

Carrying amount at 1 Jan	1,131	1,079	905	846
Exchange rate adjustment	0	0	0	0
Additions, including improvements	0	48	0	62
Disposals	6	10	6	10
Depreciation for the year	8	7	6	6
Value adjustment recognised directly in equity	12	28	12	27
Value adjustment recognised in the income statement	(4)	(7)	(2)	(14)
Carrying amount at 31 Dec	1,125	1,131	903	905
Required rate of return applied to calculate fair value (%)*	4.0-11.0	4.0-11.0	4.0-11.0	4.0-11.0

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

Sensitivity analysis: Other things being equal an increase in the required rate of return of 0.5pp will reduce fair value by DKK 80m (2021: DKK 81m).

Notes

Note 26 Other property, plant and equipment

DKKm	Sydbank Group		Sydbank A/S	
	2022	2021	2022	2021
Carrying amount at 1 Jan	53	70	53	70
Cost at 1 Jan	623	614	623	614
Exchange rate adjustment	0	0	0	0
Additions	43	41	42	41
Disposals	43	32	42	32
Cost at 31 Dec	623	623	623	623
Depreciation and impairment charges at 1 Jan	570	544	570	544
Exchange rate adjustment	0	0	0	0
Depreciation for the year	44	50	44	50
Reversal of depreciation and impairment charges	39	24	39	24
Depreciation and impairment charges at 31 Dec	575	570	575	570
Carrying amount at 31 Dec	48	53	48	53

Note 27 Other assets

Positive market value of derivatives etc	6,397	3,399	6,397	3,399
Sundry debtors	740	1,105	340	672
Interest and commission receivable	195	121	195	121
Cash collateral provided, CSA agreements etc	807	1,330	807	1,330
Other assets	0	0	0	0
Total	8,139	5,955	7,739	5,522

Note 28 Amounts owed to credit institutions and central banks

Amounts owed to central banks	10	5	10	5
Amounts owed to credit institutions	5,473	6,902	5,473	6,902
Total	5,483	6,907	5,483	6,907
On demand	2,467	2,266	2,467	2,266
3 months or less	3,016	4,641	3,016	4,641
Total	5,483	6,907	5,483	6,907
Of which repo transactions	2,868	2,790	2,868	2,790

Note 29 Deposits and other debt

DKKm	Sydbank Group		Sydbank A/S	
	2022	2021	2022	2021
On demand	95,777	85,717	97,913	87,960
At notice	2,318	144	2,318	144
Time deposits	4,722	3,877	4,722	3,877
Special categories of deposits	4,684	4,139	4,684	4,139
Total	107,501	93,877	109,637	96,120
On demand	98,229	86,005	100,365	88,248
3 months or less	4,626	4,367	4,626	4,367
Over 3 months not exceeding 1 year	622	83	622	83
Over 1 year not exceeding 5 years	429	438	429	438
Over 5 years	3,595	2,984	3,595	2,984
Total	107,501	93,877	109,637	96,120
Of which repo transactions	1,106	3,363	1,106	3,363
Of which secured lending	-	-	-	-

Note 30 Bonds issued at amortised cost

Over 3 months not exceeding 1 year	3,714	3,718	3,714	3,718
Over 1 year not exceeding 5 years	9,528	9,595	9,528	9,595
Total	13,242	13,313	13,242	13,313

Note 31 Other liabilities

Negative market value of derivatives etc	6,147	3,520	6,147	3,520
Sundry creditors	5,484	4,911	5,380	4,784
Negative portfolio, reverse transactions	4,721	7,317	4,721	7,317
Interest and commission etc	190	183	190	183
Cash collateral received, CSA agreements etc	638	516	638	516
Total	17,180	16,447	17,076	16,320

Note 32 Provisions

Provisions for pensions and similar obligations	2	3	2	3
Provisions for deferred tax	4	202	3	200
Provisions for guarantees	116	112	116	112
Other provisions	75	49	74	49
Total	197	366	195	364

Notes

Note 32 Provisions – continued

Sydbank Group

DKKm					2022
	Provisions for pensions and similar obligations	Provisions for deferred tax	Provisions for guarantees	Other provisions	Total provisions
Carrying amount at 1 Jan	3	202	112	49	366
Additions	0	0	75	26	101
Disposals	1	198	71		270
Carrying amount at 31 Dec	2	4	116	75	197

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

Note 33 Subordinated capital

Sydbank Group

Sydbank A/S

DKKm					2022	2021	2022	2021
Interest rate	Note		Nominal (m)	Maturity				
2.125 (fixed)	1	Bond loan	EUR 100		-	744	-	744
3.554 (floating)	2	Bond loan	EUR 75	2 Nov 2029	557	556	557	556
2.916 (floating)	3	Bond loan	EUR 75	Perpetual	558	558	558	558
Total T2 capital					1,115	1,858	1,115	1,858
Total subordinated capital					1,115	1,858	1,115	1,858

1) Redeemed on 11 March 2022.

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	557	556	557	556
Over 5 years	558	558	558	558
Total	1,115	1,858	1,115	1,858
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 – 2022	1,858	-	(744)	1	0	1,115
Subordinated capital – 2021	1,857	-	-	(1)	2	1,858

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	
	2022	2021	2022	2021
DKKm				
Nominal portfolio of own holdings	19	13	19	13
Nominal portfolio of own holdings as % of share capital	3.2	2.2	3.2	2.2
Shares outstanding (number)	56,494,660	58,384,311	56,494,660	58,384,311
Holding of own shares (number)	1,892,660	1,292,009	1,892,660	1,292,009
Total share capital (number)	58,387,320	59,676,320	58,387,320	59,676,320
Own holdings purchased during the year				
Number of shares	6,009,734	7,633,510	6,009,734	7,633,510
Nominal value	60	76	60	76
Consideration paid	1,386	1,437	1,386	1,437
Number of shares as % of share capital	10.3	12.8	10.3	12.8
Own holdings sold during the year				
Number of shares	5,409,083	6,731,505	5,409,083	6,731,505
Nominal value	54	67	54	67
Consideration received	1,198	1,239	1,198	1,239
Number of shares as % of share capital	9.3	11.3	9.3	11.3

Within the share buyback programme 1,887,000 shares totalling DKK 425m were purchased during the period from 2 March to 21 December 2022. 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	
	2022	2021	2022	2021
Contingent liabilities				
Financial guarantees	6,117	6,802	6,117	6,802
Mortgage finance guarantees*	3,890	5,329	3,890	5,329
Funded mortgage-like loan guarantees*	804	945	804	945
Registration and remortgaging guarantees*	3,451	4,797	3,451	4,797
Other contingent liabilities	1,687	1,849	1,687	1,849
Total	15,949	19,722	15,949	19,722

* Subject to IFRS 9.

Other obligating agreements

Irrevocable credit commitments	1,722	867	1,722	867
Other liabilities*	6	7	60	67
Total	1,728	874	1,782	934

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

DKKm	Sydbank Group					2022	2021
	Stage 1	Stage 2	Stage 3	Credit impaired at initial recognition	Total	Total	
Guarantees							
1 Jan	19,028	490	137	67	19,722	19,477	
Transfers between stages							
Transferred to stage 1	112	(109)	(3)	-	-	-	
Transferred to stage 2	(430)	435	(5)	-	-	-	
Transferred to stage 3	(41)	(29)	70	-	-	-	
New exposures	7,844	163	37	-	8,044	12,676	
Redeemed exposures	(11,308)	(155)	(33)	(67)	(11,563)	(9,016)	
Changes in balances	(187)	(64)	(3)	-	(254)	(3,415)	
31 Dec	15,018	731	200	0	15,949	19,722	

Provisions for guarantees

1 Jan	15	30	51	0	96	125
--------------	-----------	-----------	-----------	----------	-----------	------------

Transfers between stages

Transferred to stage 1	3	(3)	-	-	-	-
Transferred to stage 2	(1)	2	(1)	-	-	-
Transferred to stage 3	0	(4)	4	-	-	-
New exposures	4	5	10	-	19	25
Redeemed exposures	(7)	(10)	(5)	-	(22)	(27)
Changes in balances	(6)	14	15	-	23	(27)
31 Dec	8	34	74	0	116	96

Rating category/DKKm	1	2	3	4	5	6	7	8	9	Default	Total
Irrevocable credit commitments											
2022	357	867	207	200	79	4	5	1	1	1	1,722
2021	2	395	81	351	38	0	0	0	0	-	867

Note 35 Contingent liabilities and other obligating agreements – continued

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

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

As a result of the Bank's membership of Bankdata, the Bank 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 6.1% of any losses.

As a result of the statutory participation in the resolution financing arrangement (the Resolution Fund), credit institutions pay an annual contribution over a 10-year period to reach a target funding level totalling 1% of covered deposits. Credit institutions must make contributions to the fund according to their relative size and risk in Denmark. In the period from 2015 to 2022 Sydbank has contributed DKK 162m and expects that contributions will total approximately DKK 220m over the 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)

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 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 assets" and represented DKK 247m at 31 December 2022 (2021: DKK 22m under "Other liabilities").

During the year a net gain on hedging transactions of DKK 35m was recorded (2021: net gain of DKK 54m). 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 132.

Notes

Note 36 Fair value hedging of interest rate risks (macro hedge) – continued	Sydbank Group		Sydbank A/S		
	DKKm	2022	2021	2022	2021
Fixed-rate loans and advances					
Carrying amount		3,567	3,472	3,567	3,472
Swaps					
Principal		6,905	7,012	6,905	7,012
Fair value		290	(5)	290	(5)
Fixed-rate subordinated capital/bonds issued/AT1 capital					
Carrying amount		13,646	14,468	13,646	14,468
Swaps					
Principal		13,557	14,373	13,557	14,373
Fair value		(511)	135	(511)	135

The Group's fair value hedging of interest rate risks (macro hedge) is described in more detail in note 39 on page 119.

Note 37 Collateral

At the end of 2022 the Group had deposited as collateral securities and cash at a total value of DKK 160m 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 807m. 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		
	2022	2021	2022	2021	
Assets sold as part of repo transactions					
Bonds at fair value		3,961	6,139	3,961	6,139
Assets purchased as part of reverse transactions					
Bonds at fair value		13,340	19,923	13,340	19,923

Note 38 Related parties

Sydbank Group

DKKm	2022			2021		
	Associates	Board of Directors	Group Executive Management	Associates	Board of Directors	Group Executive Management
Loans and advances and loan commitments	0	15	0	0	11	0
Deposits and other debt	70	16	7	18	10	4
Guarantees issued	0	0	0	0	0	0
Collateral received	0	8	0	0	3	0
Interest income	0	0	0	0	0	0
Interest expense	(1)	0	0	(1)	0	0
Fee and commission income	0	0	0	0	0	0
Other expenses	646	0	0	601	0	0

Interest rates 2022

Group Executive Management: No loans and advances

Board of Directors: 2.10-4.20% 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 2022.

Amounts owed by and to subsidiaries etc

Sydbank Group

Sydbank A/S

DKKm	2022		2021	
	Sydbank Group	Sydbank A/S	Sydbank Group	Sydbank A/S
Loans and advances at amortised cost	-	478	-	499
Total asset items	-	478	-	499
Deposits and other debt	-	2,135	-	2,244
Total liability items	-	2,135	-	2,244

Notes

Note 38 Related parties – continued

Sydbank Group

Number					31 Dec 2022
	1 Jan 2022	On appointment/ resignation	Additions	Disposals	
Sydbank A/S shares held by					
Board of Directors (personal holdings)					
Lars Mikkellaard-Jensen (Chairman)	5,000				5,000
Jacob Chr. Nielsen (Vice-Chairman)	914				914
Carsten Andersen	1,534			475	1,059
Henrik Hoffmann	750				750
Søren Holm	2,000				2,000
Kim Holmer – resigned	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	3,326		137		3,463
Pia Wrang – new member	-	204	171		375
Total	23,086	(1,615)	308	475	21,304
Board of Directors (own holdings and holdings of dependants)					
Lars Mikkellaard-Jensen (Chairman)	5,000				5,000
Jacob Chr. Nielsen (Vice-Chairman)	914				914
Carsten Andersen	1,534			475	1,059
Henrik Hoffmann	750				750
Søren Holm	2,000				2,000
Kim Holmer – resigned	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	3,326		142		3,468
Pia Wrang – new member	-	204	171		375
Total	23,496	(1,715)	313	475	21,619
Group Executive Management (own holdings and holdings of dependants)					
Karen Frøsig	7,903		690		8,593
Bjarne Larsen	7,244		690		7,934
Jørn Adam Møller	6,801		690		7,491
Total	21,948	-	2,070	-	24,018
Total	45,444	(1,715)	2,383	475	45,637

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	2022 Amortised cost	
Financial assets						
Cash and balances on demand at central banks				-	8,134	
Amounts owed by credit institutions and central banks	2,891			2,891	19,068	
Loans and advances at fair value	10,490			10,490	-	
Loans and advances at amortised cost				-	73,933	
Bonds at fair value listed as level 1	11,286	19,267		30,553	-	
Shares etc	159	2,414	491	3,064	-	
Assets related to pooled plans		20,597		20,597	-	
Land and buildings			1,228	1,228	-	
Other assets	6,435	61		6,496	1,643	
Total	31,261	42,339	1,719	75,319	102,778	
Undrawn credit commitments				-	55,469	
Maximum credit risk, collateral not considered	31,261	42,339	1,719	75,319	158,247	
Financial liabilities						
Amounts owed to credit institutions and central banks	2,868			2,868	2,615	
Deposits and other debt	1,106			1,106	106,395	
Deposits in pooled plans		20,597		20,597	-	
Bonds issued at amortised cost				-	13,242	
Other liabilities	10,868			10,868	724	
Subordinated capital				-	1,115	
Total	14,842	20,597		35,439	124,091	

Notes

Note 39 Fair value disclosure – continued

Sydbank Group

DKKm				2021	
	FVPL	Fair value option	FVOCI	Total fair value	Amortised cost
Financial assets					
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
Total	54,385	22,180	1,645	78,210	87,819
Undrawn credit commitments				-	53,320
Maximum credit risk, collateral not considered	54,385	22,180	1,645	78,210	141,139
Financial liabilities					
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
Total	16,984	22,180		39,164	110,396

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 is 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 is 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 361m of the calculated price.

Note 39 Fair value disclosure – continued

Sydbank Group

DKKm	Quoted prices	Observable inputs	Unobservable inputs	Total fair value
2022				
Financial assets				
Amounts owed by credit institutions and central banks		2,891		2,891
Loans and advances at fair value		10,490		10,490
Bonds at fair value listed as level 1		30,553		30,553
Shares etc	626	56	2,382	3,064
Assets related to pooled plans	13,532	7,065		20,597
Land and buildings			1,228	1,228
Other assets	383	6,113		6,496
Total	14,541	57,168	3,610	75,319
Financial liabilities				
Amounts owed to credit institutions and central banks		2,868		2,868
Deposits and other debt		1,106		1,106
Deposits in pooled plans		20,597		20,597
Other liabilities	301	10,568		10,869
Total	301	35,139	-	35,440
2021				
Financial assets				
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
Total	15,553	59,238	3,419	78,210
Financial liabilities				
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
Total	214	38,950	-	39,164

Notes

Note 39 Fair value disclosure – continued

Sydbank Group

DKKm	2022	2021
Assets measured on the basis of unobservable inputs		
Carrying amount at 1 Jan	2,183	2,092
Additions	156	60
Disposals	68	113
Market value adjustment	111	144
Value at 31 Dec	2,382	2,183
Recognised in profit for the year		
Interest income	-	-
Dividend	22	17
Market value adjustment	111	145
Total	133	162

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 2022 CVA constituted DKK 16m compared to DKK 19m at year-end 2021.

Client margins recognised in connection with derivatives are amortised over the life of the transaction. At year-end 2022 client margins not yet recognised as income totalled DKK 14m compared to DKK 19m at year-end 2021.

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 customers 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 2022 in all material respects.

Sydbank Group

DKKm	2022		2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Bonds issued at amortised cost	13,242	13,157	13,313	13,378
Subordinated capital	1,115	1,003	1,858	1,741

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
2022					
Amounts owed to credit institutions and central banks	2,467	3,016	-	-	-
Deposits and other debt	98,230	4,626	621	429	3,595
Bonds issued at amortised cost	-	-	3,714	9,528	-
Subordinated capital	-	-	557	558	-
Total	100,697	7,642	4,892	10,515	3,595
Contingent liabilities (guarantees)	7,362	3,615	908	1,667	2,397

2021

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
Total	88,270	9,753	3,801	10,589	3,542
Contingent liabilities (guarantees)	7,751	5,415	1,766	980	3,810

Amounts are exclusive of interest.

Note 41 Activity per country
Sydbank Group

DKKm					
	Turnover	Number of employees	Profit before tax	Tax	Public subsidies received
2022					
Denmark, banking and leasing	5,542	1,968	2,303	479	0
Germany, banking	245	66	102	25	0
Total	5,787	2,034	2,405	504	0
2021					
Denmark, banking and leasing	4,810	2,011	1,716	334	0
Germany, banking	202	66	48	19	0
Total	5,012	2,077	1,764	353	0

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

Notes

Note 42 Financial highlights

Sydbank Group

	2022	2021	2020	2019	2018
Income statement highlights (DKK m)					
Net interest and fee income	4,981	4,252	3,557	3,602	3,725
Market value adjustments	386	474	340	226	335
Staff costs and administrative expenses	2,931	3,237	2,724	2,729	2,666
Impairment of loans and advances etc	(96)	(415)	48	(90)	(114)
Profit/(Loss) on holdings in associates etc	8	7	8	5	8
Profit for the year*	1,901	1,411	799	853	1,161
Balance sheet highlights (DKK bn)					
Loans and advances	84.4	84.0	78.2	73.2	67.5
Total equity	14.0	13.2	12.5	11.8	11.7
Total assets	179.3	168.2	165.8	147.7	140.5
Financial ratios per share (DKK per share of DKK 10)					
EPS	32.3	23.2	12.7	13.5	17.8
Book value	233.4	212.6	197.6	184.9	179.0
Dividend	16.77	12.00	4.00	-	9.36
Share price/EPS	9.1	8.9	10.6	10.4	8.7
Share price/book value	1.25	0.97	0.68	0.76	0.87
Other financial ratios and key figures					
Capital ratio	19.6	22.8	24.0	22.9	22.4
T1 capital ratio	18.6	19.3	20.4	19.4	19.0
Pre-tax profit as % of average equity	18.9	14.2	8.6	9.5	12.2
Post-tax profit as % of average equity	14.8	11.3	6.7	7.5	10.0
Income/cost ratio (DKK)	1.82	1.59	1.35	1.39	1.51
Interest rate risk	1.3	1.6	1.6	1.6	1.3
Foreign exchange position	1.8	1.1	1.2	1.6	1.3
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	6.4	6.7	6.7	6.7	6.2
Growth in loans and advances for the year	10.3	11.3	(0.5)	(0.7)	(5.2)
Liquidity, LCR (%)	200	200	210	174	184
Total large exposures	147	140	149	143	147
Impairment ratio for the year	(0.1)	(0.4)	0.0	(0.1)	(0.1)
Return on assets (%)	1.09	0.84	0.51	0.59	0.83

* 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.

Note 42 Financial highlights – continued

Sydbank A/S

	2022	2021	2020	2019	2018
Income statement highlights (DKK m)					
Net interest and fee income	4,897	4,149	3,427	3,519	3,639
Market value adjustments	427	593	348	236	286
Staff costs and administrative expenses	2,871	3,179	2,632	2,666	2,611
Impairment of loans and advances etc	(96)	(415)	48	(90)	(114)
Profit/(Loss) on holdings in associates etc	31	7	11	0	22
Profit for the year	1,937	1,494	802	861	1,123
Balance sheet highlights (DKK bn)					
Loans and advances	84.9	84.5	79.4	73.6	67.7
Total equity	13.9	13.2	12.5	11.7	11.7
Total assets	181.3	170.3	168.8	150.0	142.9
Financial ratios per share (DKK per share of DKK 10)					
EPS	33.0	24.7	12.9	13.7	17.2
Book value	233.4	212.6	197.6	184.9	179.0
Dividend	16.77	12.00	4.00	-	9.36
Share price/EPS	8.9	8.4	10.5	10.2	9.0
Share price/book value	1.25	1.00	0.68	0.76	0.87
Other financial ratios and key figures					
Capital ratio	19.0	22.0	22.7	22.0	21.5
T1 capital ratio	18.0	18.6	19.4	18.6	18.4
Pre-tax profit as % of average equity	18.8	15.0	8.5	9.5	11.7
Post-tax profit as % of average equity	14.8	12.1	6.7	7.5	9.6
Income/cost ratio (DKK)	1.84	1.63	1.36	1.39	1.52
Interest rate risk	1.3	1.6	1.5	1.6	1.3
Foreign exchange position	1.8	1.1	1.2	1.6	1.3
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	6.4	6.8	6.8	6.7	6.2
Growth in loans and advances for the year	10.2	9.9	0.7	(0.3)	(5.2)
Liquidity, LCR (%)	200	200	210	174	184
Total large exposures	147	140	149	143	147
Impairment ratio for the year	(0.1)	(0.4)	0.0	(0.1)	(0.1)
Return on assets (%)	1.08	0.88	0.50	0.59	0.79

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.

Notes

Note 44 Group holdings and enterprises

Sydbank Group

31 December 2022	Activity	Share capital (DKKm)	Equity (DKKm)	Profit/ (Loss) (DKKm)	Ownership share (%)
Sydbank A/S		584			
Consolidated subsidiaries					
Ejendomsselskabet af 1. juni 1986 A/S, Aabenraa	Real property	11	30	3	100
Syd Administration A/S, Aabenraa	Invt & admin.	300	2,023	5	100
Syd Fund Management A/S, Aabenraa	Administration	100	118	18	67
Held for sale					
Green Team Group A/S, Sønder Omme	Wholesale	101	4	(24)	100
Holdings in associates					
Foreningen Bankdata, Fredericia*	IT	472	451	(14)	34
Komplementarselskabet Core Property Management A/S, Copenhagen*	Real property	1	1	0	20
Core Property Management P/S, Copenhagen*	Real property	5	54	32	20

* Financial information according to the companies' most recently published annual reports (2021).

Note 45 Large shareholders

Dimensional Holdings Inc., USA, 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.

DKKm	Sydbank Group			
	Profit for the year		Equity	
	2022	2021	2022	2021
Group profit and equity according to IFRS	1,901	1,411	13,981	13,212
Value adjustment of certain strategic shares	54	119	-	-
Tax on value adjustment of certain strategic shares	(12)	(27)	-	-
Group profit and equity according to the Danish FSA accounting rules	1,943	1,503	13,981	13,212

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 2022	Total 2021
Nominal values						
Foreign exchange contracts:						
Spot, bought	196	-	-	-	196	390
Spot, sold	2,189	-	-	-	2,189	521
Forwards/futures, bought	11,745	3,120	639	0	15,504	2,686
Forwards/futures, sold	10,170	3,251	536	0	13,957	2,398
Swaps	0	1,132	458	133	1,723	1,763
Options, acquired	827	373	8	0	1,208	2,128
Options, written	635	239	1	0	875	1,526
Interest rate contracts:						
Spot, bought	3,437	-	-	-	3,437	5,092
Spot, sold	3,608	-	-	-	3,608	4,626
Forwards/futures, bought	2,303	0	0	0	2,303	5,287
Forwards/futures, sold	2,561	0	0	0	2,561	3,300
Forward rate agreements, bought	0	0	0	0	0	0
Forward rate agreements, sold	0	0	0	0	0	0
Swaps	11,983	34,800	129,398	19,501	195,682	165,858
Options, acquired	189	435	695	558	1,877	538
Options, written	0	441	1,050	940	2,431	677
Equity contracts:						
Spot, bought	512	-	-	-	512	428
Spot, sold	554	-	-	-	554	457
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	304
Options, written	0	0	0	0	0	304
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 2022	Total 2021
Net market values						
Foreign exchange contracts:						
Spot, bought	(2)	-	-	-	(2)	0
Spot, sold	0	-	-	-	0	1
Forwards/futures, bought	22	9	3	0	35	34
Forwards/futures, sold	47	13	(6)	0	55	(52)
Swaps	0	(22)	(16)	15	(23)	72
Options, acquired	13	12	0	0	25	18
Options, written	(4)	(5)	0	0	(9)	(21)
Interest rate contracts:						
Spot, bought	(4)	-	-	-	(4)	(8)
Spot, sold	7	-	-	-	7	9
Forwards/futures, bought	0	0	0	0	0	9
Forwards/futures, sold	14	0	0	0	14	(3)
Forward rate agreements, bought	0	0	0	0	0	0
Forward rate agreements, sold	0	0	0	0	0	0
Swaps	13	(21)	(133)	356	215	(185)
Options, acquired	1	4	12	6	23	7
Options, written	0	(4)	(45)	(31)	(80)	(4)
Equity contracts:						
Spot, bought	0	-	-	-	0	(1)
Spot, sold	0	-	-	-	0	2
Forwards/futures, bought	(8)	0	0	0	(8)	1
Forwards/futures, sold	2	0	0	0	2	(1)
Options, acquired	0	0	0	0	0	0
Options, written	0	0	0	0	0	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
Total net market values					250	(122)

Notes – Derivatives

DKKm	Total contracts 2022*			Total contracts 2021*		
	Positive	Negative	Net	Positive	Negative	Net
Market values						
Foreign exchange contracts:						
Spot, bought	0	(2)	(2)	1	(1)	0
Spot, sold	0	0	0	1	0	1
Forwards/futures, bought	195	(160)	35	111	(77)	34
Forwards/futures, sold	182	(127)	55	71	(123)	(52)
Swaps	39	(62)	(23)	84	(12)	72
Options, acquired	25	0	25	18	0	18
Options, written	0	(9)	(9)	0	(21)	(21)
Interest rate contracts:						
Spot, bought	1	(5)	(4)	1	(9)	(8)
Spot, sold	9	(2)	7	10	(1)	9
Forwards/futures, bought	9	(9)	0	16	(7)	9
Forwards/futures, sold	18	(4)	14	3	(6)	(3)
Forward rate agreements, bought	0	0	0	0	0	0
Forward rate agreements, sold	0	0	0	0	0	0
Swaps	5,889	(5,675)	214	3,062	(3,247)	(185)
Options, acquired	23	0	23	7	0	7
Options, written	0	(80)	(80)	1	(5)	(4)
Equity contracts:						
Spot, bought	2	(2)	0	5	(6)	(1)
Spot, sold	2	(2)	0	6	(4)	2
Forwards/futures, bought	0	(8)	(8)	1	0	1
Forwards/futures, sold	2	0	2	0	(1)	(1)
Options, acquired	0	0	0	0	0	0
Options, written	0	0	0	0	0	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
Total market values	6,397	(6,147)	250	3,398	(3,520)	(122)

* All contracts are non-guaranteed.

DKKm	Total contracts 2022*			Total contracts 2021*		
	Positive	Negative	Net	Positive	Negative	Net
Average market values						
Foreign exchange contracts:						
Spot, bought	5	(4)	1	8	(5)	3
Spot, sold	2	(1)	1	2	(6)	(4)
Forwards/futures, bought	288	(124)	164	153	(101)	52
Forwards/futures, sold	120	(247)	(127)	121	(140)	(19)
Swaps	67	(35)	32	70	(8)	62
Options, acquired	27	0	27	19	0	19
Options, written	0	(38)	(38)	0	(15)	(15)
Interest rate contracts:						
Spot, bought	5	(10)	(5)	5	(5)	0
Spot, sold	22	(6)	16	6	(4)	2
Forwards/futures, bought	17	(50)	(33)	20	(36)	(16)
Forwards/futures, sold	39	(14)	25	11	(6)	5
Forward rate agreements, bought	0	0	0	0	0	0
Forward rate agreements, sold	0	0	0	0	0	0
Swaps	4,079	(4,065)	14	3,436	(3,694)	(258)
Options, acquired	12	0	12	16	0	16
Options, written	0	(44)	(44)	1	(2)	(1)
Equity contracts:						
Spot, bought	12	(9)	3	9	(10)	(1)
Spot, sold	8	(11)	(3)	10	(7)	3
Forwards/futures, bought	3	(6)	(3)	0	(1)	(1)
Forwards/futures, sold	3	(1)	2	1	0	1
Options, acquired	0	0	0	1	0	1
Options, written	0	0	0	0	(1)	(1)
Other derivative contracts:						
Futures commodities, bought	0	0	0	0	0	0
Futures commodities, sold	0	0	0	0	0	0
Options, acquired	0	0	0	0	0	0
Options, written	0	0	0	0	0	0
Credit default swaps	0	0	0	0	0	0
Total average market values	4,709	(4,666)	43	3,889	(4,041)	(152)

* Average market value calculations are based on monthly statements.

DKKm	Market values		Collateral		Exposure by counterparty	
	Positive	Negative	Provided	Received	Amount due	Amount owed
2022						
Exposure						
Counterparties with CSA agreements	5,738	5,708	807	638	250	51
Counterparties without CSA agreements	659	439	-	-	514	294
Total	6,397	6,147	807	638	764	345
2021						
Exposure						
Counterparties with CSA agreements	2,709	3,283	1,176	515	141	54
Counterparties without CSA agreements	689	237	-	-	639	187
Total	3,398	3,520	1,176	515	780	241

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 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.

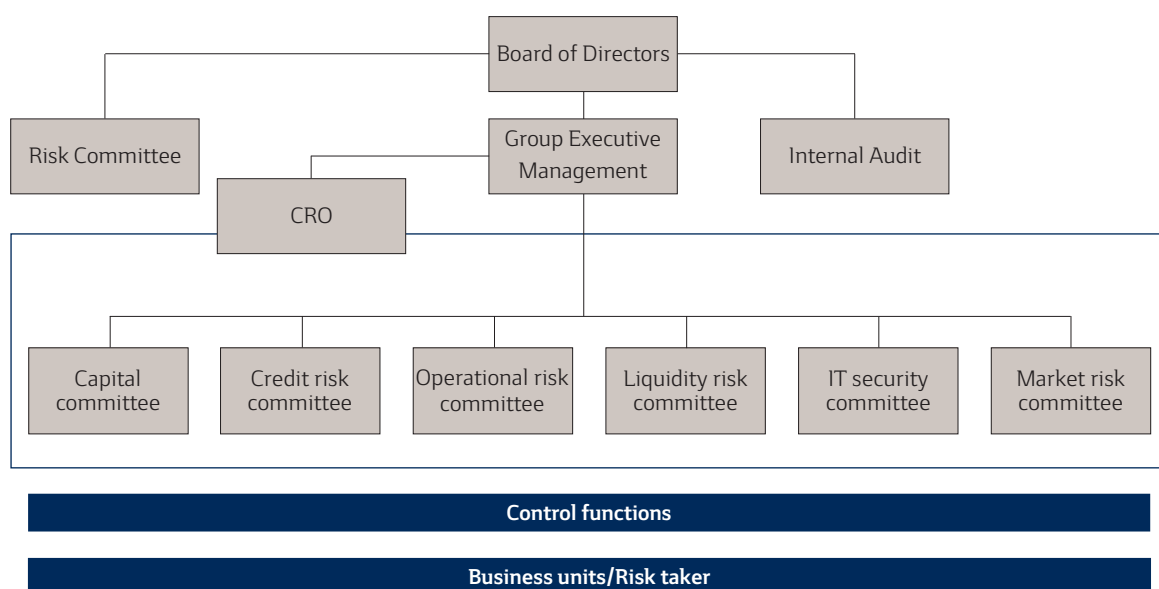
Risk management is supported by the Group's risk organisation, see the chart below.

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 2022 together with the Group's 2022 financial statements, Credit Risk 2022, the Group's Internal Liquidity Adequacy Assessment Process (ILAAP) at 31 December 2022 and the Group's Internal Capital Adequacy Assessment Process (ICAAP) at 31 December 2022 constitute the main elements of Risk Committee and Audit Committee meetings as well as board meetings at the beginning of 2023. On the basis of the discussions at these meetings the Board of Directors will subsequently update the Group's policies and guidelines.



Credit risk

Credit and client policy

The Group's overall credit risk is managed according to policies and limits determined and adopted by the Board of Directors.

The Board of Directors lays down the general framework for lending 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

Lending 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 and corporate 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	2022	2021
Loans and advances at fair value	10,490	16,918
Loans and advances at amortised cost	73,933	67,041
Guarantees	15,949	19,722
Credit exposure for accounting purposes	100,372	103,681
Collateral value	57,739	64,311
Total unsecured	42,633	39,370

Types of collateral

Real property	11,659	11,793
Financial collateral	17,311	22,833
Lease assets, mortgages etc	6,899	6,973
Floating charges, operating equipment etc	10,141	9,092
Guarantees	2,661	1,936
Other items of collateral	119	624
Total collateral used	48,790	53,251
Particularly secured transactions (mortgage guarantees)	8,949	11,060
Total	57,739	64,311

In the event that the Group uses collateral that is not immediately convertible into cash, it is the Group's policy to dispose of such assets as quickly as possible. In 2022 repossessed equipment in connection with non-performing exposures amounted to DKK 47m (2021: DKK 23m). 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 57,739m – a drop of DKK 6,572m compared to 2021. The decline is predominantly attributable to a drop of DKK 5,522m in financial collateral from DKK 22,833m in 2021 to DKK 17,311m in 2022 and a decrease of DKK 2,111m in particularly secured transactions (mortgage guarantees) due to lower remortgaging activity in 2022 and a drop in financial collateral.

The decrease in financial collateral is primarily attributable to the drop in loans and advances at fair value, which have gone down by DKK 6,428m. Loans and advances at fair value are repo loans and advances with financial collateral.

Credit risk – continued

The table below shows the size of loans and advances, guarantees as well as collateral according to rating category. The value of collateral is assessed relative to loans and advances and guarantees. Excess collateral is not included in the calculation

of collateral. 57.5% (2021: 62.0%) of the Group's loans and advances and guarantees after impairment charges is covered via collateral.

Collateral by rating category

DKKm	2022			
	Loans/advances	Guarantees	Collateral value	Unsecured
Rating category				
1	13,803	4,720	15,208	3,315
2	24,424	5,361	12,711	17,074
3	15,634	2,143	11,355	6,422
4	17,366	1,639	8,085	10,920
5	6,219	794	3,819	3,194
6	2,115	161	1,490	786
7	1,695	114	1,089	720
8	505	66	405	166
9	1,384	164	1,017	531
Default	1,186	161	299	1,048
NR/STD	1,832	626	2,261	197
Total	86,163	15,949	57,739	44,373
Impairment of loans and advances	1,740	-	-	1,740
Total	84,423	15,949	57,739	42,633

Financial counterparties

Trading in securities, currencies and derivatives, as well as payment services etc involve exposure to financial counterparties in the form of delivery risk or credit risk.

Delivery risk is the risk that the Group does not receive payments or securities in connection with the settlement of securities or currency transactions equalling the securities or payments delivered by the Group.

Credits, the Group Executive Management and the Board of Directors grant delivery risk lines and credit risk lines to financial counterparties. Based on the risk profile of the individual counterparty, rating, earnings and capital position as well as size are assessed. Risks and lines to financial counterparties are monitored continuously.

The Group participates in an international foreign exchange settlement system, CLS[®], which aims to reduce delivery risk. In CLS[®] payment is made on the net position for each currency and only one amount for each currency is paid or received. In addition this net exposure is only to one counterparty, who is the Group's partner in the system.

The Group aims to mitigate credit risk to financial counterparties in many ways, eg by concluding netting agreements (ISDA and GMRA agreements). Moreover the Group has entered into agreements (CSA agreements) with all significant counterparties to ensure credit risk mitigation of derivatives. Exposures are calculated on a daily basis after which the parties settle collateral. Consequently exposures are reset in all material respects on a daily basis. The agreements are managed by Transaction Banking.

Notes – Risk Management

Market risk

Market risk is the risk that the market value of the Group's assets and liabilities will be affected as a result of changes in market prices.

Assuming market risk is considered a natural and integral part of all-round banking. Assuming risk must be on a conscious and well-documented basis. To the extent possible, risk should be assumed in products which offer a possibility of eliminating or mitigating risk at short notice.

Interest rate and foreign exchange risks deriving from deposits by and loans and advances to the Group's customers 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 passes 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 customers 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 and credit spread risk make 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 2022 it represented DKK 147m or 1.4% 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 2022	Total 2021
DKK	75	3	18	49	145	125
EUR	(12)	12	(4)	1	(3)	39
EUR/DKK	63	15	14	50	142	164
Other	2	1	0	2	5	9
Total 2022	65	16	14	52	147	
Total 2021	83	(16)	41	65		173

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 2021 – 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 2022 is attributable to the Group's positions in Treasury.

Interest rate risk – Sydbank Markets and Treasury

DKKm	2022			2021		
	Sydbank Markets	Treasury	Total	Sydbank Markets	Treasury	Total
DKK	53	92	145	46	79	125
EUR	0	(3)	(3)	18	21	39
EUR/DKK	53	89	142	64	100	164
Other	3	2	5	5	4	9
Total	56	91	147	69	104	173

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 made up DKK 175m at 31 December 2022 and is included when determining the solvency need.

Credit spread risk by bond type

DKKm	2022	2021
Mortgage credit	146	182
Government	6	10
Other	23	43
Total	175	235

Equity risk

The Group's portfolio of shares and holdings in associates represented DKK 3,229m at 31 December 2022 (2021: DKK 2,964m), including equity investments totalling DKK 3,070m (2021: DKK 2,766m).

In the event of a 10% change in share prices, profit before tax will be affected by DKK 274m (2021: DKK 255m) as well as other comprehensive income by DKK 49m (2021: DKK 41m). Equity investments represent DKK 258m (2021: DKK 236m) and DKK 49m (2021: DKK 41m) respectively.

Foreign exchange risk

As in previous years the Group's foreign exchange risk was insignificant in 2022 and consequently a 10% change in exchange rates against DKK at 31 December 2022 will not affect profit before tax significantly.

Other market risks

The Group does not have any other significant market risks at 31 December 2022.

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 SNP loans 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 (NSFR)
- 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)	2022	2021
Total liquidity buffer	56.5	50.4
Net cash outflows	28.2	25.2
LCR (%)	200	200

The Group has met the regulatory LCR requirement of 100% throughout the year and its excess cover is significant at 31 December 2022.

Funding ratio (DKKbn)	2022	2021
Equity and subordinated capital	15.1	15.1
SNP loans with maturities over 1 year	9.5	9.6
Stable deposits	101.3	85.5
Total stable funding	125.9	110.2
Loans and advances (excl reverse)	73.9	67.0
Funding ratio (%)	170	164

As shown above the Group's stable funding exceeded the Group's loans and advances by DKK 52.0bn at 31 December 2022 (2021: DKK 43.2bn).

The maturity profiles of the Group's debt exposures appear from note 40.

The Board of Directors' requirements regarding the funding structure are based on the following:

- The Group's funding must be diversified so as to minimise to the greatest extent possible reliance on individual sources.
- Compliance with the LCR and the funding ratio target ensures a prudent funding profile and an adequate level of stable non-market-based funding and longer-term market-based funding.

Liquidity risk – continued

- The LCR and the funding ratio ensure that the higher the level of stable deposits, the lower the necessary level of long-term senior funding. In contrast a falling level of stable deposits will increase the need for long-term senior funding.
- Short-term market funding and funding from financial counterparties must predominantly be used to fund short-term placements and investments in securities which can be realised or which are eligible as collateral with Danmarks Nationalbank or in 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 and GMRA 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.

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

SNP loans	DKKm	Optional redemption	Maturity	Recognition ceased/ceases on
EUR 500m	3,714	-	19 Sep 2023	18 Sep 2022
DKK 1,000m	999	25 Nov 2023	25 Nov 2024	25 Nov 2023
SEK 600m	401	25 Nov 2023	25 Nov 2024	25 Nov 2023
NOK 1,000m	707	25 Nov 2023	25 Nov 2024	25 Nov 2023
EUR 500m	3,712	10 Nov 2025	10 Nov 2026	10 Nov 2025
EUR 500m	3,710	30 Sep 2024	30 Sep 2025	30 Sep 2024
Total	13,242			

Notes – Risk Management

Operational risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk and risks arising from outsourcing.

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 this data. Furthermore it forms 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 areas 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 2022 showed 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.

IT security

IT supports a large part of the processes 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 cyber security and information security are significant aspects of the Bank's operational risk.

The Group regularly reviews this area – on a strategic level, on a tactical level and on an operational level. On the basis of new statutory requirements and regulations, IT system requirements as to confidentiality, integrity and accessibility are updated and specified on a regular basis in relation to cyber security and information security.

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. These policies form the basis of the cyber security and information security efforts.

As part of these efforts a risk analysis is prepared annually in which the objectives regarding the confidentiality, accessibility and integrity of each process and supporting systems are assessed. The assessment is made in terms of probability and implications coupled with the maturity of administrative and technical measures.

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 overall use of IT and data at Sydbank. As a result of these requirements, a significant part of the Group's use of IT is redundant so as 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 cyber security and information security processes.

IT contingency exercises are performed on a regular basis in the sector, with suppliers as well as with internal parties, to ensure that Sydbank is as well prepared as possible for the events that may arise.

In accordance with current anti-terrorism and anti-money laundering rules Sydbank must ensure that it has proof of identity of its customers. Moreover the Bank performs routine testing of transactions submitted through its systems. Suspicious transactions are reported.

Notes – Total Capital

Total capital

The Bank is a licensed financial services provider and must therefore comply with the capital requirements determined by the EU.

The capital adequacy rules require a minimum capital level of 8.0% of the risk exposure amount plus any additional individual capital needed. Detailed rules regulate the calculation of capital as well as the risk exposure amount.

Total capital is made up of T1 capital and T2 capital. T1 capital comprises equity and AT1 capital.

The difference between shareholders' equity and total capital is shown in note 3.

The Group's subordinated capital, AT1 capital and T2 capital may, subject to certain conditions, be included in total capital. The conditions are specified in CRR. The Group's subordinated capital is shown in note 33.

The Group has determined capital targets and considers a CET1 ratio of 14.5%, a T1 ratio of 16.0% 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 2022 the Group met regulatory capital requirements as well as internal capital targets.

Management Statement

Today we have reviewed and approved the 2022 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 2022 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 2022.

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.

In our opinion, the Group's sustainability key performance indicators have been prepared in accordance with the accounting policies in force for sustainability information. They give a true and fair view and a balanced and reasonable presentation of the organisation's sustainability performance.

In our opinion, the Annual Report of Sydbank A/S for the financial year 1 January to 31 December 2022, with the file name Sydbank-2022-12-31-da.zip, has, in all material respects, been prepared in accordance with the ESEF Regulation.

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

Aabenraa, 1 March 2023

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

Jane Moltke-Leth

Jarl Oxlund

Gitte Poulsen

Susanne Schou

Jon Stefansson

Jørn Krogh Sørensen

Pia Wrang



Auditors' Report

Independent Auditor's Report

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 2022 and of the results of the Group's operations and cash flows for the financial year 1 January - 31 December 2022 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 2022, and of the results of the Bank operations and cash flows for the financial year 1 January to 31 December 2022 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 2022 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 2022 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.

We have been re-appointed by the general meeting for a combined consecutive period of two years up to and including the 2022 financial year.

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 2022. 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 to the Financial Statements for a detailed description of the accounting policies applied.

As a result of the macroeconomic development as reflected in, for example, the soaring energy prices, high rate of inflation and increased interest rate levels, Management has recognised a significant increase in loan impairment charges by way of an accounting estimate ("management estimate"). The impact of the macroeconomic development on the Bank's customers is largely undetermined, which implies that the estimation uncertainty related to the calculation of the indication of impairment is increased.

Independent Auditor's Report

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 the macroeconomic development 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 describing 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 2022 and in the balance sheet at 31 December 2022.

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 macroeconomic development.

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 macroeconomic development.

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

Auditors' Report

Independent Auditor's Report

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 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.

Independent Auditor's Report

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.

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 2022, with the file name Sydbank-2022-12-31-da.zip, has been prepared in accordance with the Commission Delegated Regulation (EU) 2019/815 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 Consolidated Financial Statements, including notes.

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, including notes.
- 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 2022, with the file name Sydbank-2022-12-31-da.zip, has, in all material respects, been prepared in accordance with the ESEF Regulation.

Herning, 1 March 2023

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
CVR no 33 77 12 31

Per Rolf Larssen

State Authorised Public Accountant
mne24822

Report on the ESG data

Independent limited assurance report on the ESG data

To the stakeholders of Sydbank A/S

Sydbank A/S engaged us to provide limited assurance on the ESG data stated on pages 55-62 in the 2022 Sydbank A/S annual report for the period 1 January – 31 December 2022 (the “ESG data”).

Our conclusion

Based on the procedures we performed and the evidence we obtained, nothing came to our attention that causes us not to believe that the ESG data in the 2022 Sydbank A/S annual report are prepared, in all material respects, in accordance with the applied ESG accounting policies developed by Sydbank A/S as stated on pages 55-62 (the “ESG accounting policies”).

This conclusion is to be read in the context of what we state in the remainder of our report.

What we are assuring

The scope of our work was limited to assurance over the ESG data included in the section ESG data and data handling on pages 55-62 of the management review of the annual report for 2022.

We express limited assurance in our conclusion.

Professional standards applied and level of assurance

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) ‘Assurance Engagements other than Audits and Reviews of Historical Financial Information’ and, in respect of the greenhouse gas emissions, in accordance with International Standard on Assurance Engagements 3410 ‘Assurance engagements on greenhouse gas statements’. The quantification of greenhouse gas emissions is subject to inherent uncertainty because of incomplete scientific knowledge used to determine the emissions factors and the values needed to combine emissions of different gasses.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks; consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our independence and quality control

We have complied with the independence requirements and other ethical requirements in the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior, and ethical requirements applicable in Denmark. PricewaterhouseCoopers applies International Standard on Quality Management 1, ISQM 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

Our work was carried out by an independent multidisciplinary team with experience in sustainability reporting and assurance.

Understanding reporting and measurement methodologies

The ESG data need to be read and understood together with the ESG accounting policies, which Management is solely responsible for selecting and applying.

The absence of a significant body of established practice on which to draw to evaluate and measure ESG data allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Work performed

We are required to plan and perform our work in order to consider the risk of material misstatement of the ESG data. In doing so and based on our professional judgement, we:

- Made inquiries and conducted interviews with Group functions to assess consolidation processes, use of company-wide systems, and controls performed at Group level,
- Checked ESG data on a sample basis to underlying documentation, and evaluated the appropriateness of quantification methods and compliance with the accounting policies for preparing the consolidated ESG data,
- Conducted an analytical review of the ESG data and trend explanations submitted by all business units for consolidation at Group level,
- Considered the disclosure and presentation of the ESG data statement, and
- Evaluated the obtained evidence.

Independent limited assurance report on the ESG data

Statement on other sustainability information mentioned in the report

Management of Sydbank A/S is responsible for other ESG and sustainability information communicated in the 2022 management review of the annual report.

Our conclusion on the ESG data on pages 55-62 does not cover other ESG or sustainability information and we do not express an assurance conclusion thereon. In connection with our review of the ESG data, we read the other ESG and sustainability information in the 2022 management review and, in doing so, considered whether the other ESG or sustainability information is materially inconsistent with the ESG data and our knowledge obtained in the review or otherwise appear to be materially misstated. We have nothing to report in this regard.

Management's responsibilities

Management of Sydbank A/S is responsible for:

- Designing, implementing and maintaining internal control over information relevant to the preparation of the ESG data in the annual report that are free from material misstatement, whether due to fraud or error,
- Establishing objective accounting policies for preparing the ESG data,
- Measuring and reporting the information in the ESG data based on the accounting policies, and
- The content of the annual report.

Our responsibility

We are responsible for:

- Planning and performing the engagement to obtain limited assurance about whether the ESG data for the period 1 January – 31 December 2022 are prepared, in all material respects, in accordance with the accounting policies,
- Forming an independent conclusion, based on the procedures performed and the evidence obtained, and
- Reporting our conclusion to the stakeholders of Sydbank A/S.

Herning, 1 March 2023

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
CVR no. 3377 1231

Per Rolf Larssen

State Authorised Public Accountant

Jens Pultz Pedersen

M.Sc. (eng.)

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: 2023

Independent: Yes

Committee memberships: Member of Digitization Committee and Risk Committee

Directorships and other offices:

M.J. Grønbech Ejendomme A/S, board member

M.J. Grønbech & Sønner Holding A/S, board member

Industripension Holding A/S, board member

Industriens Pensionsforsikring A/S, board member

Specific competences: IT and digitization, robotics, management, strategy and business development, and macro economics



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: 2023

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

Former 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: 2023

Independent: Yes

Committee memberships: Chairman of Nomination Committee and member of Risk Committee

Directorships and other offices:

Krebs Skole, board member

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



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: 2023

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, strategy development, digitization and HR

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: 2023

Independent: Yes

Committee memberships: Chairman of Remuneration Committee and member of Audit Committee

Directorships and other offices:

KP Invest Herning A/S, CEO

Selskabet af 30.04.2019 A/S, chairman

Gitte Poulsen Holding ApS, executive manager

Herning Folkeblads Fond, board member

A/S af 20.02.2014, chairman

KP Finans III A/S, chairman

KP Finans II A/S, chairman

KP Finans I A/S, chairman

QC ApS, CEO

Ejendomsselskabet af 29.06.2006 A/S, chairman

Gitte Poulsen Holding 2019 ApS, executive manager

Specific competences: Management, strategy and business development, financial management and accounting



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: 2023

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

Moravia Invest A/S, chairman

P. Christensen Ejendomme A/S, chairman

P. Christensen Mobility A/S, chairman

Andersen Partners International ApS, under frivillig likvidation, liquidator

A Tower ApS, under frivillig likvidation, liquidator

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: 2023

Independent: Yes

Committee memberships: Chairman of Risk Committee

Directorships and other offices:

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 management, 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: 2023

Independent: Yes

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

Directorships and other offices: -

Specific competences: Financial business management, strategy and business development, financial management, accounting and auditing, risk management, credit management, Treasury, issuance of securities and capital management, ESG 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: 2026

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

Jarl Oxlund

Chairman of Sydbank Kreds

Born: 29 April 1967

Gender: Male

Education: Banking, Graduate Diploma in Business Administration, MPO (Master of the Psychology of Organisation)

Elected to Board of Directors: 2014

Expiry of current term of office: 2026

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

Finansforbundet Sydbank Section/Financial Services Union in Denmark, chairman Finansforbundet Sydbank Section

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: 2026

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



Board member

Pia Wrang

Assistant Vice President, Private Banking

Born: 2 January 1971

Gender: Female

Education: Certified Financial Adviser – Wealth Adviser, Government taxation study programme, Trainee – A.P. Møller-Mærsk

Elected to Board of Directors: 2022

Expiry of current term of office: 2026

Independent: No

Elected by the employees

Committee memberships: –

Directorships and other offices: –

Specific competences: Lending, tax, accounting, banking products and concept development

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

Letpension Forsikringsformidling A/S, board member



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

Opendo A/S, board member

Opendo Holding A/S, board member



Deputy Group Chief Executive

Jørn Adam Møller

Born: 31 July 1966

Gender: Male

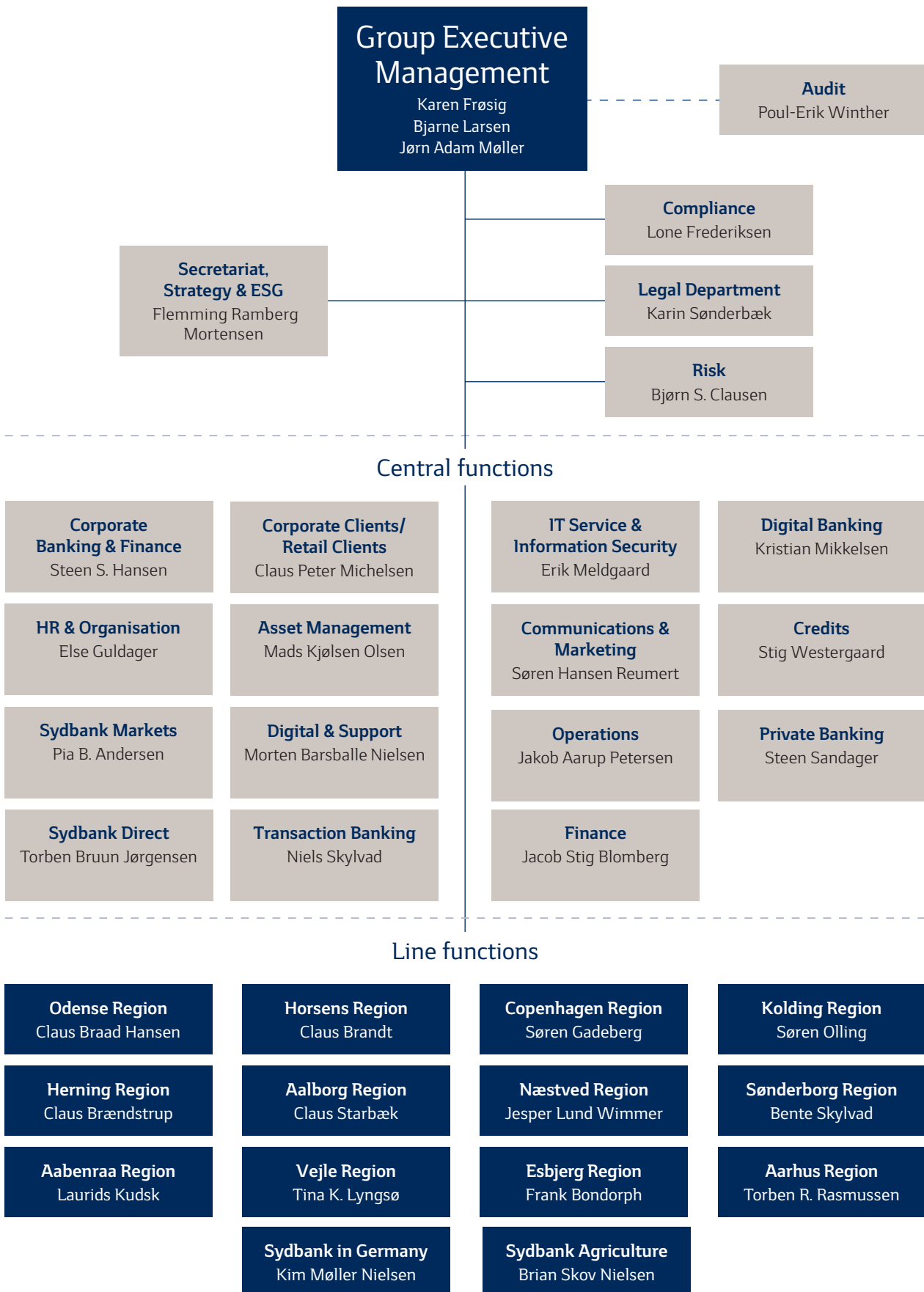
Group Executive Management member since: 2019

Directorships:

Syd Administration A/S, executive manager and board member

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

Organisation



Sydbank A/S
Peberlyk 4
6200 Aabenraa, Denmark

Tel +45 74 37 37 37
sydbank.com
info@sydbank.dk

CVR No DK 12626509

Sydbank