

Annual Report

2023

Sydbank Group

DESIGN
CITY

Sydbank

Sydbank



The photos in the annual report are from Sydbank's branch in Kolding.

Sydbank is located at Kolding Åpark 8 in the new district Design City, close to the harbour and the railway station. The Bank moved into the premises in 2018 and has leased the 4 lower floors in the 9-storey building. The philosophy behind the entire district is based on sustainability and Kolding Åpark 8 is LEED certified, an internationally recognised environmental certification system for buildings.

The branch is easy to access and the ground floor includes a reception, canteen as well as modern and spacious conference rooms with state-of-the-art equipment for advisers and customers.



Preface

All-time high profit and robust capital position

The Sydbank Group's 2023 financial statements show a profit before tax of DKK 4,281m compared to DKK 2,405m in 2022. The increase of DKK 1,876m is primarily attributable to a rise in total income of DKK 1,868m set off against the effects of a rise in costs (core earnings) of DKK 96m and a lower reversal of impairment charges of DKK 72m. Profit before tax equals a return of 30.3% p.a. on average equity.

Profit for the year represents DKK 3,342m against DKK 1,901m in 2022, equal to a return on average equity of 23.6% after tax. At the beginning of 2023 profit after tax was projected to be in the range of DKK 1,900-2,200m.

CEO Karen Frøsig comments on the profit:

- It is positive that we succeeded in lifting profitability significantly in 2023 from an all-time high level in 2022. The improvement in profitability is attributable to a continued rise in total income and is mainly due to higher net interest income. Impairment charges represent a small income, which is a reflection of the solid credit quality of the lending portfolio. Together this means an increase of 76% in profit for the year. Profit is in the upper end of the expectations for profit for the year announced in December 2023.

Karen Frøsig comments on the development in interest income:

- The effect of the Danish central bank's continuous interest rate hikes since July 2022 is clearly visible in the Bank's net interest income, which has risen by 82% compared with the record-high level in 2022. The development in net interest income is greatly influenced by higher interest payments on the Bank's significant deposit surplus.

Board chairman Lars Mikkjelgaard-Jensen comments:

- The Bank's strong capital position and all-time high earnings allow us to distribute DKK 2,868m, equal to 86% of profit for 2023. 50% of profit will be distributed as dividend and the remaining share will be distributed via a new share buyback programme of DKK 1,200m. Following the dividend payout the Bank will continue to be well capitalised.

Outlook for 2024

- Low growth is projected for the Danish economy.
- Profit after tax is expected to be in the range of DKK 2,500-2,900m.
- The profit forecast assumes that Danmarks Nationalbank will lower the rate of interest on certificates of deposit by 0.75pp in 2024.
- The outlook is subject to uncertainty and depends on financial market developments and macroeconomic factors which may affect eg the level of impairment charges.

2023 highlights

- A 36% increase in core income
- A rise in costs (core earnings) of 3%
- Impairment charges for loans and advances: an income of DKK 27m
- An increase in profit for the year of DKK 1,441m to DKK 3,342m
- Bank loans and advances of DKK 74.5bn
- Deposits of DKK 111.7bn
- A capital ratio of 21.1%, including a CET1 ratio of 18.9%
- A proposed dividend of DKK 30.56 per share

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The 2023 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
3,342
DKKm

ROE **23.6%**

Core income **DKK 7,071m**

Costs (core earnings) **DKK 3,136m**

Impairment of loans and advances **minus DKK 27m**

Dividend **50% of profit for the year (DKK 30.56 per share)**

Bank loans and advances **DKK 74.5bn**

Total credit intermediation **DKK 178.0bn**

Group Financial Highlights

	2023	2022	Index 23/22	2021	2020	2019
Income statement (DKKm)						
Core income	7,071	5,194	136	4,436	3,670	3,655
Trading income	275	284	97	291	278	224
Total income	7,346	5,478	134	4,727	3,948	3,879
Costs, core earnings	3,136	3,040	103	3,177	2,774	2,783
Core earnings before impairment	4,210	2,438	173	1,550	1,174	1,096
Impairment of loans and advances etc	(27)	(99)	-	(415)	47	(97)
Core earnings	4,237	2,537	167	1,965	1,127	1,193
Investment portfolio earnings	88	(141)	-	(21)	(31)	(61)
Profit before non-recurring items	4,325	2,396	181	1,944	1,096	1,132
Non-recurring items, net	(44)	9	-	(180)	(75)	(51)
Profit before tax	4,281	2,405	178	1,764	1,021	1,081
Tax	939	504	186	353	222	228
Profit for the year	3,342	1,901	176	1,411	799	853
Balance sheet highlights (DKKbn)						
Loans and advances at amortised cost	74.5	73.9	101	67.0	60.2	60.6
Loans and advances at fair value	16.7	10.4	161	16.9	18.0	12.6
Deposits and other debt	111.7	107.5	104	93.9	95.9	84.3
Bonds issued at amortised cost	11.2	13.2	85	13.3	9.6	7.4
Subordinated capital	1.1	1.1	100	1.9	1.9	1.9
AT1 capital	0.8	0.8	100	0.8	0.8	0.8
Shareholders' equity	14.9	13.2	113	12.4	11.7	11.0
Total assets	185.1	179.3	103	168.2	165.8	147.7
Financial ratios per share (DKK per share of DKK 10)						
EPS	58.8	32.2		23.0	12.8	13.4
Share price at year-end	293.6	292.6		206.8	134.5	139.8
Book value	273.9	233.4		212.6	197.6	184.9
Share price/book value	1.07	1.25		0.97	0.68	0.76
Average number of shares outstanding (in millions)	56.0	57.5		59.2	59.0	60.4
Proposed dividend	30.56	16.77		12.00	4.00	-
Dividend for 2019 (paid out)	-	-		5.70	-	-
Other financial ratios and key figures						
CET1 ratio	18.9	17.3		17.9	18.8	17.8
T1 capital ratio	20.1	18.6		19.3	20.4	19.4
Capital ratio	21.1	19.6		22.8	24.0	22.9
Pre-tax profit as % of average equity	30.3	18.9		14.1	8.6	9.7
Post-tax profit as % of average equity	23.6	14.8		11.2	6.6	7.5
Costs (core earnings) as % of total income	42.7	55.5		67.2	70.3	71.7
Return on assets (%)	1.83	1.09		0.84	0.51	0.59
Interest rate risk	0.5	1.3		1.6	1.6	1.6
Foreign exchange position	0.7	1.8		1.1	1.2	1.6
Foreign exchange risk	0.0	0.0		0.0	0.0	0.0
Liquidity, LCR (%)	223	200		200	210	174
Loans and advances relative to deposits	0.6	0.6		0.6	0.5	0.6
Loans and advances relative to equity	5.0	5.6		5.4	5.1	5.5
Growth in loans and advances for the year	0.8	10.3		11.3	(0.5)	(0.7)
Total large exposures	137	147		140	149	143
Accumulated impairment ratio	2.1	2.1		2.2	2.7	2.7
Impairment ratio for the year	0.0	(0.1)		(0.5)	0.1	(0.1)
Number of full-time staff at year-end	2,029	2,034	100	2,077	2,286	2,030

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 128. 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

All-time high profit and robust capital position

Sydbank's financial statements for 2023 show a profit before tax of DKK 4,281m compared to DKK 2,405m in 2022. Profit equals a return of 30.3% p.a. on average equity.

Profit before tax shows an increase of DKK 1,876m, which is attributable to a rise in total income of DKK 1,868m set off against the effects of a rise in costs (core earnings) of DKK 96m and a lower reversal of impairment charges of DKK 72m.

Profit for the year represents DKK 3,342m compared to DKK 1,901m in 2022, equal to a return on average equity of 23.6% after tax.

In connection with the release of the 2022 Annual Report, profit after tax for 2023 was expected to be in the range of DKK 1,900-2,200m. The Group raised its 2023 profit expectations 4 times in 2023 – from the range of DKK 1,900-2,200m expected in January 2023 – to the range of DKK 3,200-3,350m in connection with the Group's most recent guidance in December 2023.

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 2023 unaided awareness had risen to 26% (year-end 2022: 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 2023 return on equity constituted 23.6% against 14.8% in 2022.

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 2023 the rate of costs constituted 43% against 55% in 2022.

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
- 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 2023

Net interest income has risen by DKK 2,009m or 82% to DKK 4,470m. The increase is mainly attributable to the effects of a higher interest rate level.

Total core income has risen by DKK 1,877m to DKK 7,071m. The increase is primarily a result of a rise in net interest income.

Trading income represents DKK 275m compared to DKK 284m in 2022.

Total income has increased by DKK 1,868m to DKK 7,346m.

Costs (core earnings) have gone up by DKK 96m to DKK 3,136m.

Impairment charges for loans and advances represent an income of DKK 27m. In 2022 impairment charges constituted an income of DKK 99m.

Core earnings for 2023 represent DKK 4,237m – an increase of DKK 1,700m compared with 2022.

Together the Group's position-taking and liquidity handling generated earnings of DKK 88m in 2023 compared to negative earnings of DKK 141m in 2022.

Profit before tax constitutes DKK 4,281m compared to DKK 2,405m in 2022. Tax has been calculated at DKK 939m. Profit for the year amounts to DKK 3,342m compared to DKK 1,901m in 2022.

Bank loans and advances represented DKK 74.5bn at year-end 2023, equal to a rise of DKK 0.6bn in 2023 or 1%.

Total credit intermediation represented DKK 178.0bn at year-end 2023 and dropped by DKK 0.8bn in 2023, equal to 0.4%.

Return on shareholders' equity before and after tax constitutes 30.3% and 23.6% respectively against 18.9% and 14.8% respectively in 2022.

Earnings per share stands at DKK 58.8 compared to DKK 32.2 in 2022.

During the year shareholders' equity went up by DKK 1,765m to DKK 14,950m. The change comprises additions from profit for the year of DKK 3,297m, net purchases of own shares of DKK 600m, dividend paid of DKK 959m as well as other equity adjustments of DKK 27m.

Less the proposed dividend, the CET1 ratio and the capital ratio stood at 18.9% and 21.1% respectively at year-end 2023 compared to 17.3% and 19.6% respectively at year-end 2022.

At 31 December 2023 the individual solvency need represented 10.2% (2022: 10.8%).

SIFI

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

Capital targets

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

Proposed dividend for 2023

In compliance with the Bank's dividend policy, the Board of Directors proposes that a dividend of DKK 30.56 per share, equal to 50% of the Group's profit after tax, be distributed and that DKK 18m 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 of DKK 600m completed in 2023.

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

Share buyback in 2024

Following distribution of the proposed dividend, the capital ratios will remain above the capital targets and as a result the Board of Directors has decided to initiate a buyback of shares representing DKK 1,200m in 2024.

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

Outlook for 2024

Low growth is projected for the Danish economy.

Profit after tax is expected to be in the range of DKK 2,500-2,900m.

The profit forecast assumes that Danmarks Nationalbank will lower the rate of interest on certificates of deposit by 0.75pp in 2024.

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 2023

The Sydbank Group has recorded a profit before tax of DKK 4,281m compared to DKK 2,405m in 2022. Profit before tax equals a return of 30.3% p.a. on average equity.

Profit for the year after tax represents DKK 3,342m compared to DKK 1,901m in 2022, equal to a return on average equity of 23.6% p.a.

On 23 January 2023 the Bank published its expectations for 2023 of a profit after tax in the range of DKK 1,900-2,200m.

On 15 March 2023 the Bank raised its expectations for 2023 to a profit after tax in the range of DKK 2,300-2,600m.

On 14 June 2023 the Bank raised its expectations to a profit after tax in the range of DKK 2,600-2,900m.

On 15 September 2023 the Bank raised its expectations to a profit after tax in the range of DKK 2,900-3,200m.

On 21 December 2023 the Bank raised its expectations for 2023 to a profit after tax in the range of DKK 3,200-3,350m.

Profit for the year of DKK 3,342m significantly exceeds the expectations for profit of DKK 1,900-2,200m first announced. The improvement is mainly attributable to an increase in net interest income due to higher interest rates.

The financial statements are characterised by the following:

2023

- A rise in core income of DKK 1,877m or 36% to DKK 7,071m
- A drop in trading income of DKK 9m
- A rise in costs (core earnings) of DKK 96m or 3% to DKK 3,136m
- Impairment charges for loans and advances represent an income of DKK 27m
- A rise in core earnings of DKK 1,700m to DKK 4,237m
- Investment portfolio earnings of DKK 88m
- Non-recurring items etc represent an expense of DKK 44m
- Bank loans and advances of DKK 74.5bn (2022: DKK 73.9bn)
- Deposits of DKK 111.7bn (2022: DKK 107.5bn)
- A capital ratio of 21.1%, including a CET1 ratio of 18.9%
- An individual solvency need of 10.2%
- A proposed dividend of DKK 30.56 per share

Q4

- Core income amounts to DKK 1,844m
- Impairment charges for loans and advances represent an income of DKK 6m
- Profit for the period after tax constitutes DKK 933m

Income statement

Group (DKKm)	2023	2022
Core income	7,071	5,194
Trading income	275	284
Total income	7,346	5,478
Costs, core earnings	3,136	3,040
Core earnings before impairment	4,210	2,438
Impairment of loans and advances etc	(27)	(99)
Core earnings	4,237	2,537
Investment portfolio earnings	88	(141)
Profit before non-recurring items	4,325	2,396
Non-recurring items, net	(44)	9
Profit before tax	4,281	2,405
Tax	939	504
Profit for the year	3,342	1,901

Core income

Total core income has risen by DKK 1,877m or 36% to DKK 7,071m. The increase is primarily a result of higher net interest income.

Net interest income has gone up by DKK 2,009m or 82% to DKK 4,470m. The increase is mainly attributable to the effects of a higher interest rate level.

Net income from the cooperation with Totalkredit represents DKK 416m (2022: DKK 533m) after a set-off of loss of DKK 8m (2022: DKK 8m). The cooperation with DLR Kredit has generated an income of DKK 128m (2022: DKK 125m). Total mortgage credit income amounts to DKK 545m – a drop of DKK 115m or 17% compared to 2022. The decline is primarily attributable to funded mortgage-like loans and a lower level of activity in the housing market.

Income from remortgaging and loan fees has gone down by DKK 55m to DKK 184m – a decrease of 23% compared with 2022. The decline is attributable to a lower level of activity in the housing market.

The remaining income components have risen by DKK 38m – an increase of 2% compared to 2022.

Core income

Group (DKKm)	2023	2022
Net interest etc	4,470	2,461
Mortgage credit	545	660
Payment services	268	237
Remortgaging and loan fees	184	239
Commission and brokerage	467	478
Commission etc investment funds and pooled pension plans	310	319
Asset management	345	351
Custody account fees	96	113
Other operating income	386	336
Total	7,071	5,194

Trading income

Trading income constitutes DKK 275m compared with DKK 284m in 2022. The satisfactory income is attributable to high activity in particular in the bond market in 2023.

Costs and depreciation

The Group's total costs and depreciation have gone up by DKK 97m to DKK 3,187m compared with 2022. The increase is primarily attributable to staff costs.

Costs and depreciation

Group (DKKm)	2023	2022
Staff costs	1,863	1,756
Other administrative expenses	1,162	1,175
Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	139	115
Other operating expenses	23	44
Total	3,187	3,090
Distributed as follows:		
Costs, core earnings	3,136	3,040
Costs, investment portfolio earnings	7	7
Non-recurring costs	44	43

Costs (core earnings) represent DKK 3,136m against DKK 3,040m in 2022 – an increase of DKK 96m.

For additional information on non-recurring costs, reference is made to the paragraph on this subject on page 17.

At year-end 2023 the Group's staff numbered 2,029 (full-time equivalent) compared to 2,034 at year-end 2022.

The number of branches has been reduced by 1 compared with year-end 2022 and at year-end 2023 there were 54 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 4,210m – an increase of DKK 1,772m compared to 2022.

Impairment of loans and advances etc

Impairment charges for loans and advances represent an income of DKK 27m. Impairment charges constituted an income of DKK 99m in 2022.

Management estimates

At 31 December 2023 the Group maintained 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 geopolitical tension, a higher interest rate environment as well as the risk of a recession etc.

For further information reference is made to the separate publication "Credit Risk 2023", which is available at sydbank.com.

Impairment charges for the year by industry

Group (DKKm)	2023	2022
Agriculture etc	(85)	(48)
Trade	130	65
Real estate	(36)	3
Other industries	48	34
Total corporate	57	54
Retail	(84)	(153)
Total	(27)	(99)

At 31 December 2023 accumulated impairment and provisions amounted to DKK 1,899m (2022: DKK 1,929m).

In 2023 reported losses amounted to DKK 78m (2022: DKK 48m). Of the reported losses DKK 49m has previously been written down (2022: DKK 29m).

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 2023

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.

Credit impaired bank loans and advances – stage 3 – represent 1.5% (2022: 1.6%) of total bank loans and advances before impairment charges and 0.6% (2022: 0.7%) 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 0.1% (2022: 0.2%) of total bank loans and advances before impairment charges and 0.1% (2022: 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 2023 stand at 61.1% (2022: 57.0%).

The Group's loans and advances and impairment charges at 31 December 2023 allocated to these stages are shown below.

Loans and advances and impairment charges

(DKKm)	Stage 1	Stage 2	Stage 3	Credit impaired at initial recognition	Total
2023					
Loans/advances before impairment charges	66,698	8,325	1,138	112	76,273
Impairment charges	368	675	695	-	1,738
Loans/advances after impairment charges	66,330	7,650	443	112	74,535
2023 (%)					
Impairment charges as % of bank loans/advances	0.6	8.1	61.1	-	2.3
Share of bank loans/advances before impairment charges	87.5	10.9	1.5	0.1	100.0
Share of bank loans/advances after mpairment charges	89.0	10.3	0.6	0.1	100.0
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

Core earnings

Core earnings for 2023 represent DKK 4,237m – an increase of DKK 1,700m compared with 2022.

Investment portfolio earnings

Together the Group's position-taking and liquidity handling generated earnings of DKK 88m in 2023 compared to negative earnings of DKK 141m in 2022.

Investment portfolio earnings

Group (DKKm)	2023	2022
Position-taking	20	(67)
Liquidity generation and liquidity reserves	86	(69)
Strategic positions	(11)	2
Costs	(7)	(7)
Total	88	(141)

The Group's interest rate risk is positive 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 etc represent a net expense of DKK 44m compared with a net income of DKK 9m in 2022.

In 2023 the item included costs of DKK 35m related to the development of the home loan processes and DKK 9m related to the development of the bank/insurance partnership.

In 2022 the item included costs of DKK 30m related to the development of the home loan processes 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.

Profit for the year

Profit before tax amounts to DKK 4,281m (2022: DKK 2,405m). Tax represents DKK 939m (2022: DKK 504m), equivalent to an effective tax rate of 21.9%. Profit for the year amounts to DKK 3,342m (2022: DKK 1,901m).

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 2023 the value adjustment represented DKK 39m (2022: DKK 42m).

Return

Return on shareholders' equity before and after tax constitutes 30.3% and 23.6% respectively against 18.9% and 14.8% respectively in 2022. Earnings per share stands at DKK 58.8 compared to DKK 32.2 in 2022.

Sydbank – the parent

The Bank's total income before costs and impairment charges for loans and advances represents DKK 7,417m (2022: DKK 5,380m). The income includes the consolidated profit on holdings in associates and subsidiaries of DKK 185m (2022: DKK 31m).

Total costs, including non-recurring costs of DKK 44m (2022: DKK 43m), constitute DKK 3,128m (2022: DKK 3,026m).

Impairment charges of DKK 27m have been reversed as regards bank loans and advances (2022: income of DKK 96m).

Pre-tax profit amounts to DKK 4,316m (2022: DKK 2,450m).

Post-tax profit amounts to DKK 3,375m (2022: DKK 1,937m).

Subsidiaries

Profit after tax of the subsidiaries represents DKK 181m (2022: DKK 26m).

Group – Q4 2023

The Group's profit before tax for the quarter stands at DKK 1,107m (Q4 2022: DKK 884m). Tax represents DKK 174m and profit for the period amounts to DKK 933m (Q4 2022: DKK 714m).

Compared to Q3 2023 profit before tax shows:

- A core income of DKK 1,844m (Q3: DKK 1,838m)
- A trading income of DKK 35m (Q3: DKK 54m)
- Costs (core earnings) of DKK 801m (Q3: DKK 735m)
- Impairment charges for loans and advances: an income of DKK 6m (Q3: income of DKK 5m)
- Investment portfolio earnings of DKK 30m (Q3: DKK 28m)

Performance in 2023

Quarterly results

Group (DKKm)	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
Core income	1,844	1,838	1,754	1,635	1,504
Trading income	35	54	69	117	107
Total income	1,879	1,892	1,823	1,752	1,611
Costs, core earnings	801	735	803	797	752
Core earnings before impairment	1,078	1,157	1,020	955	859
Impairment of loans and advances etc	(6)	(5)	(6)	(10)	(12)
Core earnings	1,084	1,162	1,026	965	871
Investment portfolio earnings	30	28	1	29	17
Profit before non-recurring items	1,114	1,190	1,027	994	888
Non-recurring items, net	(7)	(11)	(12)	(14)	(4)
Profit before tax	1,107	1,179	1,015	980	884
Tax	174	262	257	246	170
Profit for the period	933	917	758	734	714

Total assets

The Group's total assets made up DKK 185.1bn at year-end 2023 against DKK 179.3bn at year-end 2022.

Assets

Group – year-end (DKKbn)	2023	2022
Amounts owed by credit institutions etc	24.8	30.1
Loans and advances at fair value (reverse transactions)	16.7	10.5
Loans and advances at amortised cost (bank loans and advances)	74.5	73.9
Securities and holdings etc	37.8	33.8
Assets related to pooled plans	22.9	20.6
Other assets etc	8.4	10.4
Total	185.1	179.3

The Group's bank loans and advances totalled DKK 74.5bn at 31 December 2023. Compared to 2022 this is an increase of DKK 0.6bn.

Bank loans and advances

Group – year-end (DKKbn)	2023	2022
Corporate clients	61.8	59.8
Retail clients	12.7	14.0
Public authorities	0.0	0.1
Total	74.5	73.9

Bank loans and advances to corporate clients remain adversely affected by the political agreement to defer A tax and social security contributions for July and August 2023 to October/ November 2023 and February 2024 respectively. Despite the deferred payments corporate loans and advances have gone up by DKK 2.0bn, equal to 3.3%, compared to 2022.

Bank loans and advances to retail clients represent DKK 12.7bn, a decrease of DKK 1.3bn compared to 2022.

Credit facilities to corporate clients

Group – year-end (DKKbn)	2023	2022
Drawn facilities		
= loans/advances before impairment charges	63.2	61.2
Undrawn facilities	47.9	42.0
Total	111.1	103.2

The Group's total credit facilities to corporate clients have risen by DKK 7.9bn compared to 2022.

During 2023 corporate clients drew a further DKK 2.0bn under their credit facilities.

Equity and liabilities

Group – year-end (DKKbn)	2023	2022
Amounts owed to credit institutions etc	6.4	5.5
Deposits and other debt	111.7	107.5
Deposits in pooled plans	22.9	20.6
Bonds issued	11.2	13.2
Other liabilities etc	15.9	17.2
Provisions	0.2	0.2
Subordinated capital	1.1	1.1
Equity	15.7	14.0
Total	185.1	179.3

The Group's deposits make up DKK 111.7bn. This is an increase of DKK 4.2bn compared to 2022.

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)	2023	2022
Bank loans and advances	74.5	73.9
Funded mortgage-like loans	4.2	4.9
Arranged mortgage loans – Totalkredit	84.6	86.4
Arranged mortgage loans – DLR	14.7	13.6
Total	178.0	178.8

The Group's total credit intermediation represents DKK 178.0bn – a drop of DKK 0.8bn, equal to 0.4% compared to year-end 2022. The change is attributable to a rise in bank loans and advances of DKK 0.6bn, a decline in funded mortgage-like loans of DKK 0.7bn and a drop in arranged mortgage loans of DKK 0.7bn. Arranged mortgage loans – Totalkredit were negatively impacted 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 1.8bn in 2023.

The Sydbank share

Number	2023	2022
Average number of shares outstanding	56,032,491	57,549,963
Number of shares outstanding at year-end	54,582,651	56,494,660
Number of shares issued at year-end	56,500,320	58,387,320

Share capital

Share capital constituted DKK 565,003,200 at year-end 2023 – a drop of DKK 18,870,000 compared with year-end 2022.

The number of shares outstanding has fallen from 56,494,660 (96.76%) at the end of 2022 to 54,582,651 (96.61%) at the end of 2023. The book value of the Sydbank share is 273.9 (2022: 233.4). At year-end 2023 the closing price of the Sydbank share stood at 293.6 and the share price/book value at 1.07.

Equity

At year-end 2023 shareholders' equity constituted DKK 14,950m – an increase of DKK 1,765m since the beginning of the year. The change comprises additions from profit for the year of DKK 3,297m, net purchases of own shares of DKK 600m, dividend paid of DKK 959m as well as other equity adjustments of DKK 27m.

Capital

On 6 April 2023 the Bank announced a new share buyback programme of DKK 600m, 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 10 July 2023 and terminated on 22 December 2023. Under the programme 1,911,900 shares were purchased at a transaction value of DKK 600m.

On 6 September 2023 the Group issued Green Bonds in the amount of EUR 500m. The Group has undertaken to allocate the proceeds from the bonds to finance loans that contribute to mitigating the environmental impact. The purpose of the issue is to meet the minimum requirement for own funds and eligible liabilities and it constitutes the natural refinancing of existing SNP loans.

On 16 September 2023 the Group redeemed an SNP loan of EUR 500m. On 25 November 2023 the Group redeemed SNP loans of DKK 1,000m, NOK 1,000m and SEK 600m.

As part of the efforts to optimise the capital structure the Group issued T2 capital of NOK 650m and SEK 550m on 25 January 2024. In addition the Group will look into the possibilities of issuing SNP loans of up to EUR 500m in 2024. This issue will constitute the natural refinancing of existing SNP loans.

Risk exposure amount

The risk exposure amount (REA) constitutes DKK 61.9bn (2022: DKK 60.5bn) – an increase of DKK 1.4bn. Credit risk has gone down by DKK 1.8bn. Operational risk has gone up by DKK 2.2bn, which is attributable to the annual recalculation involving income of the past 3 years. Market risk and other exposures have risen by a total of DKK 1.0bn compared with year-end 2022.

Group – year-end (DKKbn)	2023	2022
Credit risk	39.2	41.0
Market risk	6.0	5.4
Operational risk	10.3	8.1
Other exposures incl CVA	6.4	6.0
Total	61.9	60.5

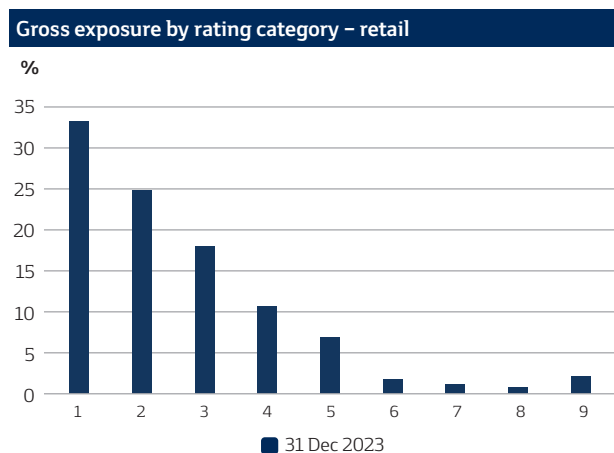
In November 2023 the Group reclassified a number of SME exposures from IRB corporate to IRB retail. This ensures consistency between handling for credit-related purposes and calculation of the Group's capital requirements. The reclassification comprises customers with unsecured EAD totalling approx DKK 11.7bn – calculated at year-end 2023.

The breakdown by rating category as regards retail exposures and corporate exposures is shown below.

Performance in 2023

Retail

The gross exposure by rating category as regards retail exposures is illustrated below:

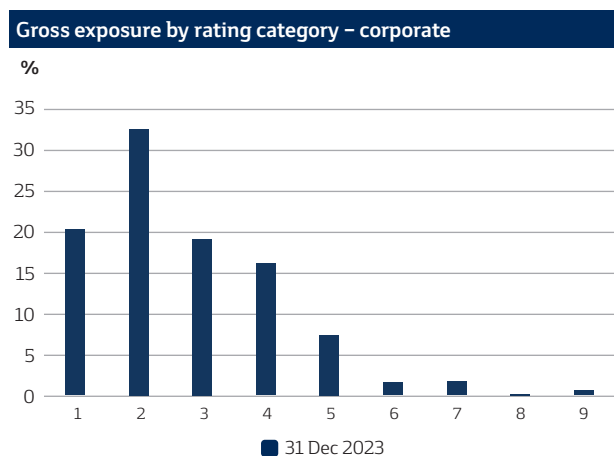


The gross exposure consists of loans and advances, undrawn credit commitments, interest receivable, guarantees and counterparty risk on derivatives. The graph comprises exposures treated according to A-IRB. Exposures relating to customers in default are not included in the breakdown of rating categories.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

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

Corporate

The gross exposure by rating category as regards corporate 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 customers in default are not included in the breakdown of rating categories. Impairment charges for exposures have not been deducted from the exposure.

The gross exposure by rating category shows a high share in 4 best rating categories.

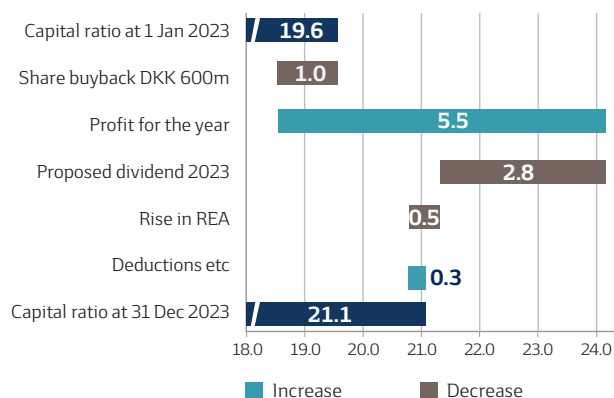
Reference is made to the note on credit risk on page 134 and the separate publication "Credit Risk 2023".

Solvency

Group – year-end (DKKm)	2023	2022
REA	61,896	60,472
CET1 capital	11,671	10,484
T1 capital	12,416	11,227
Total capital	13,056	11,863
CET1 ratio	18.9	17.3
T1 capital ratio	20.1	18.6
Capital ratio	21.1	19.6

At year-end 2023 the CET1 ratio and the capital ratio stood at 18.9% and 21.1% respectively compared to 17.3% and 19.6% respectively at year-end 2022.

Capital ratio in 2023



At 31 December 2023 the individual solvency need represented 10.2% (2022: 10.8%). 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 5.7% of the risk exposure amount.

Solvency of the parent

At year-end 2023 the CET1 ratio and the capital ratio stood at 18.3% and 20.4% respectively (2022: 16.8% and 19.0%).

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.

Furthermore reference is made to "Capital Management" on pp 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 2023 the subordinated debt requirement and the MREL represented 27.1% and 24.7% respectively of the risk exposure amount and can be calculated as follows:

Requirements and excess cover

31 Dec 2023	Subordinated debt		MREL	
Group	%	DKKm	%	DKKm
REA		61,896		61,896
Capital requirement	27.1	16,774	24.7	15,288
Total capital		13,056		13,056
SNP loans with maturities > 1 year		11,161		11,161
Cover of combined buffer requirement				(3,592)
Total cover	39.1	24,217	33.3	20,625
Capital adequacy	12.0	7,443	8.6	5,337

At 31 December 2023 the Sydbank Group met the requirements with an excess cover of DKK 7,443m and DKK 5,337m respectively.

The Danish FSA has set the requirements for Sydbank at 26.4% and 24.1% respectively of the risk exposure amount as of 1 January 2024. As a result of the new MREL requirements the excess cover will increase to DKK 7,876m and DKK 5,708m respectively.

The Group has issued Green Bonds totalling DKK 7.4bn, which is included in the above subordinated debt and MREL calculation.

Market risk

At 31 December 2023 the Group's interest rate risk represented DKK 65m (2022: DKK 147m). 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 position modest.

Funding and liquidity

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

The Group's LCR constituted 223% at 31 December 2023 (2022: 200%).

LCR

Group - year-end (DKKbn)	2023	2022
Total liquidity buffer	57.7	56.5
Net cash outflows	25.9	28.2
LCR (%)	223	200

The Group has met the LCR requirement of 100% throughout the year and, as can be seen, its excess cover was significant at 31 December 2023.

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.

Performance in 2023

The Group's NSFR constituted 140% at 31 December 2023 (2022: 132%).

NSFR

Group – year-end (DKKbn)	2023	2022
Required stable funding	90.8	89.7
Available stable funding	126.9	118.2
NSFR (%)	140	132

The Group has met the NSFR requirement of 100% throughout the year and its excess cover was significant at 31 December 2023.

Funding ratio

Group – year-end (DKKbn)	2023	2022
Equity and subordinated capital	16.9	15.1
SNP loans with maturities > 1 year	11.2	9.5
Stable deposits	104.5	101.3
Total stable funding	132.6	125.9
Bank loans and advances	74.5	73.9
Funding ratio (%)	178	170

The Group's stable funding exceeded the Group's loans and advances by DKK 58.1bn at 31 December 2023 (2022: DKK 52.0bn).

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 2023 the Sydbank share yielded a return of 6% (2022: 47%) as a result of the increase in the share price during the year as well as dividend distributed for 2022.

The Board of Directors will propose to the AGM that a dividend of 50% of the Group's profit after tax, equal to DKK 30.56 per share, be distributed and that DKK 18m 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 2023 the Group as well as the parent complied with all the benchmarks of the Supervisory Diamond.

Supervisory Diamond benchmarks

Group	2023	2022
Sum of 20 largest exposures < 175%	137	147
Lending growth < 20% annually	1	10
Commercial property exposure < 25%	10	8
Excess liquidity coverage > 100%	241	222

Leverage ratio

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

The Group's leverage ratio constituted 6.5% at 31 December 2023 (2022: 6.1%) taking into account the transitional rules.

SIFI

Sydbank has been designated as a SIFI in Denmark and there is an additional buffer requirement of 1.0% 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 IFRS 9 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 24.1% of the risk exposure amount as of 1 January 2024.

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 the 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 2023 represents DKK 32m.

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. On 27 June 2023 a preliminary political agreement was reached in the EU on the proposals to implement Basel IV. However the final rules are not expected to be adopted before Q1 2024 at the earliest. It is expected that 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.

Sector-specific systemic risk buffer

On 3 October 2023 the Systemic Risk Council recommended to Denmark's Minister for Industry, Business and Financial Affairs that a sector-specific systemic risk buffer be activated for exposures to real estate companies at a rate of 7% of the exposures' risk-weighted assets.

The council recommends that the measure apply exclusively to exposures to real estate companies, ie under activity code "Development of building projects" as well as "Real estate" and that exposures to "Social housing associations" and "Cooperative housing societies" under activity code "Real estate" be exempt.

The Danish government intends to comply with the recommendation and will activate the buffer effective 30 June 2024. The formal government decision, including final calibration, is however subject to the approval of the European Commission, which continues to be pending.

As a result the Bank will be subject to a sector-specific systemic risk buffer of approx 0.2% in addition to the regulatory capital requirements.

Outlook for 2024

Low growth is projected for the Danish economy.

Profit after tax is expected to be in the range of DKK 2,500-2,900m.

The profit forecast assumes that Danmarks Nationalbank will lower the rate of interest on certificates of deposit by 0.75pp in 2024.

The outlook is subject to uncertainty and depends on financial market developments and macroeconomic factors which may affect eg 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. The Group uses the advanced IRB approach as regards both 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 5.8% at 31 December 2023.

Capital and solvency and capital requirements

% of REA	31 Dec 2023
Capital and solvency	
CET1 ratio	18.9
T1 capital ratio	20.1
Capital ratio	21.1
Capital requirements (incl buffers)*	
Total capital requirement	16.0
CET1 capital requirement	11.5
- of which SIFI buffer	1.0
- of which capital conservation buffer	2.5
- of which countercyclical buffer**	2.3
Excess capital	
CET1 capital	7.4
Total capital	5.1

* 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 2.3%.

**The countercyclical buffer is calculated as an exposure weighted average of the specific rates in the countries where companies to which exposures have been granted are domiciled. The rate as regards exposures to companies domiciled in Denmark constitutes 2.5%.

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 133.

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 2023 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	3,937	6.4
Market risk	750	1.2
Operational risk	1,020	1.6
Other exposures	589	1.0
Adequate total capital/solvency need	6,296	10.2

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 2023:

Capital structure	DKKm	% of REA
Adequate total capital/solvency need	6,296	10.2
Combined buffer requirement	3,592	5.8
Capital requirements incl combined buffer requirement	9,888	16.0
Excess capital	3,168	5.1
Total capital	13,056	21.1

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 2023 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 2024 which will be even stronger in 2025 when a deep global recession will start. The drop in GDP will be on a par with the drop during the financial crisis – in total 6.4% during the period. The decline in GDP combined with the high interest rate level will lead to large declines in housing prices and an increase in unemployment. The projection is a relatively large drop in

household deposits, unchanged lending in 2024, followed by a decrease of 5% in 2025 and 2.5% in 2026. Inflation is forecast to drop slightly in the first 2 years and deflation is expected in the last year. Interest rates will decline marginally during the period. Share prices will go down by 50% in 2024.

Global recession which reflects that the Danish economy will be hit by a setback in 2024 which will be even stronger in 2025 when a deep global recession will start. This scenario is based on the Danish FSA's stress scenario but the Bank is of the opinion that central banks will cut interest rates significantly during the stress period, which is not the case in the Danish FSA's stress scenario. It is assessed that interest rate changes will have a less negative effect on developments in GDP, housing prices, unemployment and share prices than in the global crisis scenario. GDP will drop by a total of 4.9% during the period. The decrease in GDP will bring about large declines in housing prices and a rise in unemployment during the period, which is expected to trigger a drop in household deposits. Lending is expected to remain unchanged in 2024, followed by a decrease of 4% in 2025 and 2.5% in 2026. Inflation is forecast to come down slightly in the first 2 years and deflation is expected in the last year. Interest rates will go down by 280bp during the period. Share prices will drop by 35% in 2024.

Economic crisis in Germany which reflects that the German economy will be characterised by a slowdown in the industrial sector's order intake. Germany will face structural challenges due to a lack of green transitions, low growth in China, a substantial drop in the demand for goods and a sluggish transition to the production of EVs. This situation will result in a slowdown in the Danish economy because many Danish companies are sub-suppliers to the German industrial sector. During the period the GDP will be lower than the Danish central bank's estimate for 2023 but it will be positive nonetheless. Housing prices will go up moderately and unemployment will trend upwards. Lending is projected to grow by 1% annually and deposits are projected to grow by 1% in 2024 and 2025 and 2.5% thereafter. Inflation and interest rates are projected to drop during the period. Interest rates will go down by 180bp during the period. Share prices will fall by 10% in 2024.

200bp interest rate drop which reflects that the European economy will be hit harder than forecast by a slowdown, which will force the European Central Bank (ECB) to lower its interest rate by 200bp in 2024. The measure will not quite have the expected effect and a slowdown in the European economy will be seen in 2024 and 2025. The GDP will drop in 2024 and 2025 and rise again in 2026. Housing prices will go down by 5% in 2024 before rising by 5% in both 2025 and 2026 and

Capital Management

unemployment will also go up during the period. Negative growth in lending of 2.5% is expected in 2024, which will be matched by growth in lending of 2.5% in 2026. Deposits are projected to go up by 1.5% in 2024 and 2025 and by 3% in 2026. Inflation and interest rates are projected to drop during the period. Interest rates will go down by 150bp during the period. Share prices will fall by 10% in 2024.

Housing market freeze in Copenhagen which reflects a situation in which higher new property taxes will result in a freeze particularly in the high-end areas of the property market in Copenhagen, North Zealand and Aarhus. The situation will result in a sharp decrease in sales activity and housing prices, which will feed through to the rest of the housing market. The drop in prices is assumed to hit Copenhagen only. Interest rates will follow the development in the base case scenario because that scenario is the result of developments in the Danish housing market and not changes in the global economy. The GDP will be lower than the 2023 estimate of the Danish central bank. Housing prices will go down by 10% in 2024 and go up by 3% in 2026. Unemployment will go up during the entire period. Negative growth in lending of 1.5% is expected in 2024 and growth in lending of 2.5% is projected in 2026. Deposits will increase by 4% in 2024 and 3.5% thereafter. Inflation is forecast to drop slightly in the first 2 years and deflation is expected in the last year. Interest rates will decline marginally during the period. Share prices will go up by 5% annually.

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 2023 the Group fully complied with external as well as internal capital requirements.

On the basis of the risk reporting at 31 December 2023, including the Group's ICAAP and ILAAP, the Board of Directors reviews an overall risk assessment aiming to make 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 2023", 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 the 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 and which are in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports of listed financial companies.

The Group's internal controls and risk management systems are updated on an ongoing basis and are designed with a view to discovering and eliminating errors and omissions in the financial statements. Internal controls and risk management systems provide reasonable assurance that all material errors and omissions are detected and corrected.

Overall control environment

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.

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).

The Group Executive Management and the Audit Committee regularly consider whether new internal controls should be implemented to counter identified risks. In addition the Audit Committee reviews particularly risky areas on an ongoing basis.

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

Monitoring

Analyses and control activities are conducted in connection with the preparation of the financial statements 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 seminars and conferences where current issues concerning Sydbank are presented and discussed.

Contact with analysts, shareholders and potential investors in 2023 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.

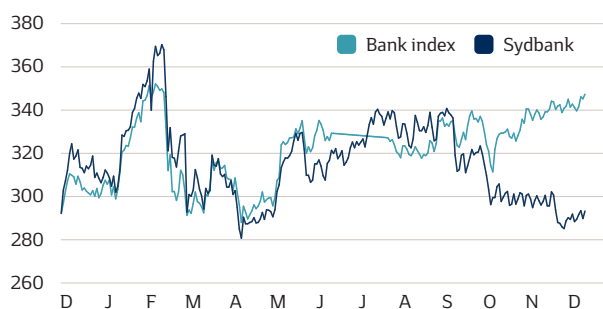
The Sydbank share rose from 292.6 at year-end 2022 to 293.6 at year-end 2023, equal to an increase of 0.3%. Adding dividend distributed in 2023 of DKK 16.77 per share, return to shareholders represented 6.1%. By comparison the bank index rose by 18.6%.

The Sydbank share	2023	2022
Share capital (DKKm)	565	584
Total market capitalisation at year-end (DKKm)	16,025	16,530
Share price at year-end	293.6	292.6
EPS (DKK)	58.8	32.2
Dividend per share (DKK)	30.56	16.77
Book value per share (DKK)	273.9	233.4
Share price/book value per share	1.07	1.25

4 analysts covered the Sydbank share at the end of 2023.

The average daily turnover of the Sydbank share was DKK 42m in 2023 compared with DKK 30m in 2022. The share was the 29th most traded share on Nasdaq Copenhagen.

Share price developments 2023



1 January 2023 = index 292.60, 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 2023 Sydbank distributed a dividend of 50%, cf the Bank's dividend policy, equal to DKK 16.77 per share.

Following the dividend distribution in 2023 Sydbank has acquired 1,911,900 own shares totalling DKK 600m. 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 a dividend of 50% of the Group's profit after tax, equal to DKK 30.56 per share, be distributed and that DKK 18m be donated to the sponsorship fund Sydbank Fonden.

As a consequence of a strong capital base it will be possible to initiate a new share buyback programme of DKK 1,200m with expected implementation from the beginning of March 2024 to end-January 2025, thereby lifting the total amount to be distributed to Sydbank's shareholders to DKK 2,868m, equal to 86% of profit for the year after tax.



Mission Statement and Business Goals

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

As an advisory and service undertaking Sydbank's primary objective is to meet its customers' needs for financial services. 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.

We believe in decency

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

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

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

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

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

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

We enjoy a unique position in the Danish banking sector where the Bank 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.

We will deliver a competitive return on equity to the benefit of shareholders

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.
And we will not be hypnotised by technology's possibilities but will focus on the needs of customers and employees.

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 enhanced.

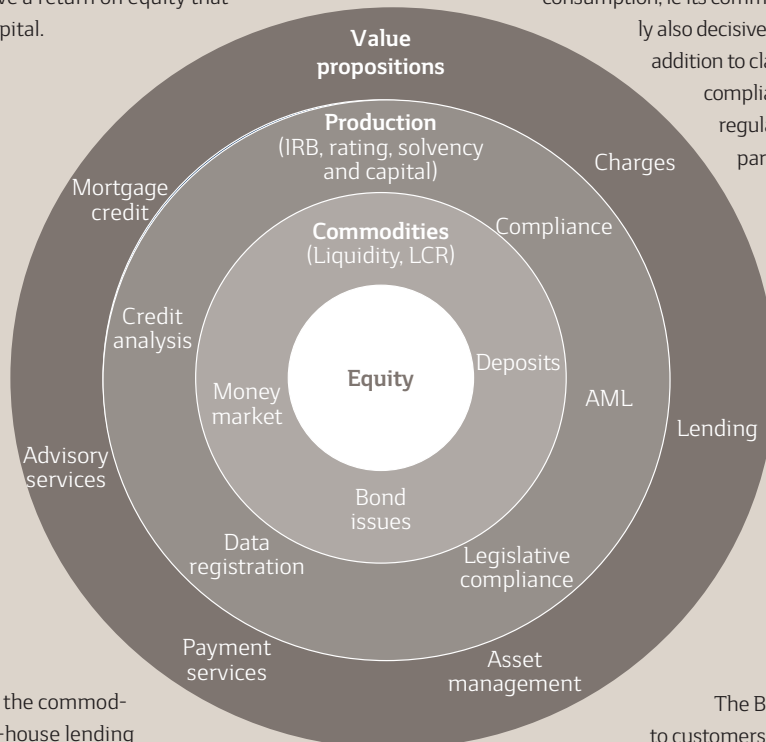
Sydbank – our way of working

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

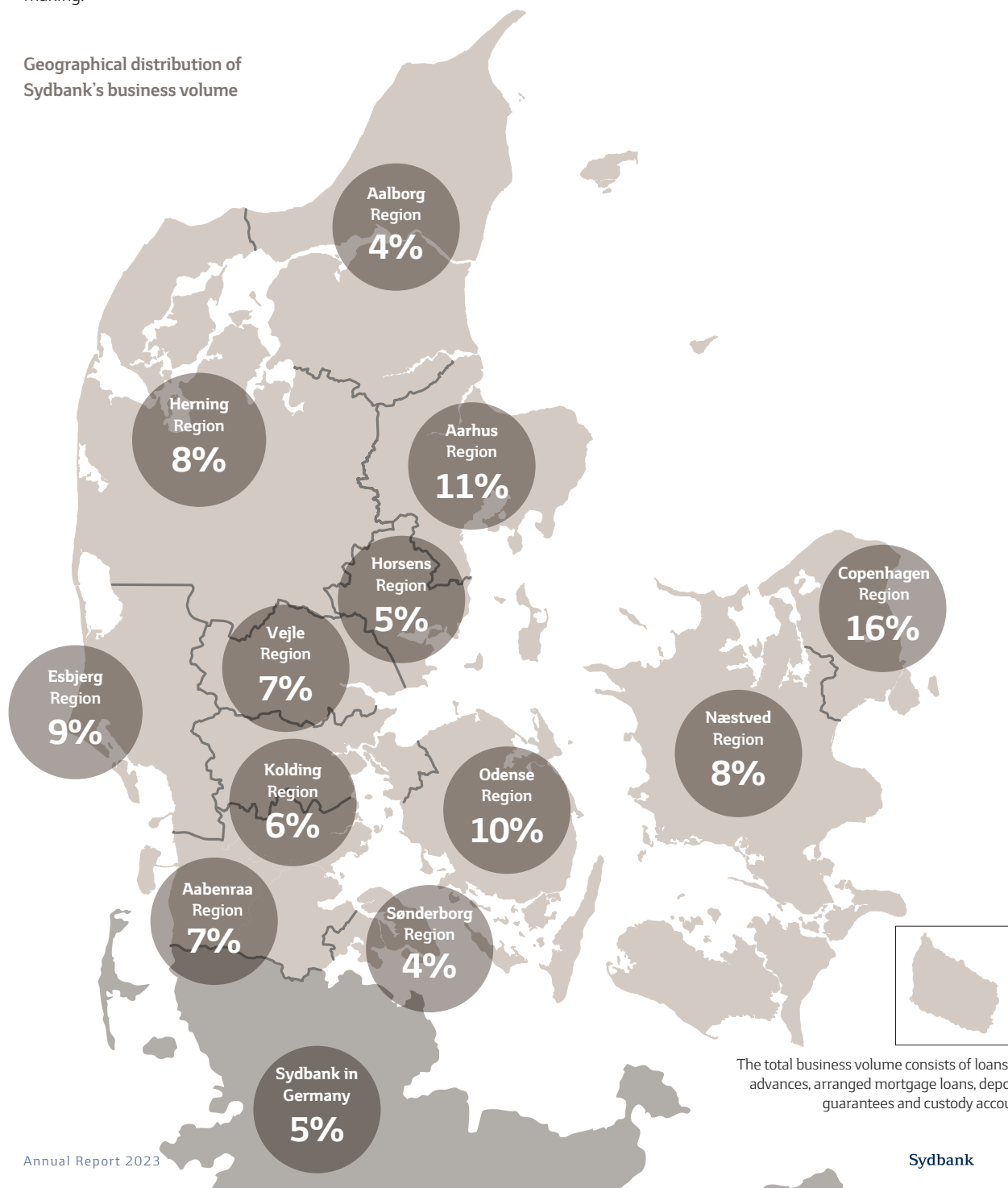
The Bank's value propositions to customers are generated by value-adding advisory services, creating long-term relationships and offerings of relevant products and services at competitive prices. Sydbank seeks to offer its products and services at prices ensuring that customers are profitable, ie that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

Local presence

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 swift decision-making.

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



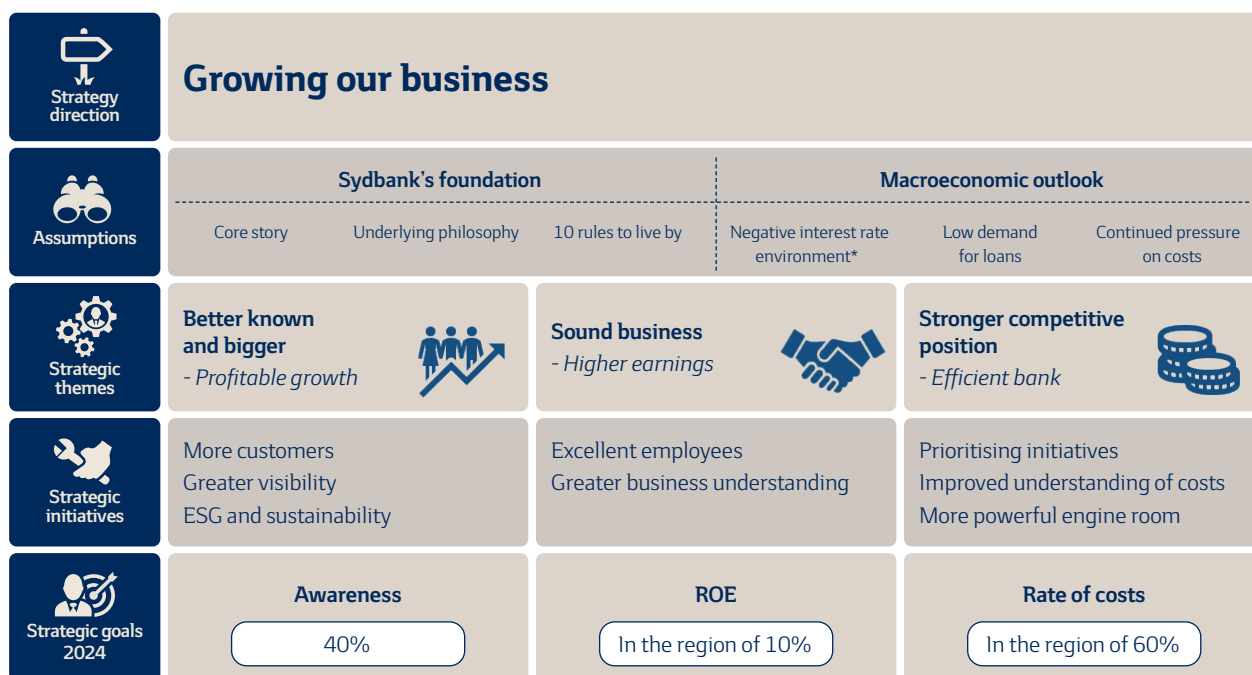
The total business volume consists of loans and advances, arranged mortgage loans, deposits, guarantees and custody accounts.

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 26%.

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 2023 return on equity stood at 23.6%.

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 2023 the rate of costs stood at 43%.

Sydbank's Digital Ambition

With the initiative Sydbank's Digital Ambition the Bank stepped up its efforts in 2023 as regards its digital transition. The vision is that in 2024 the Bank will be more digital in its way of thinking and working as a foundation for the best customer relationship.

Sydbank's Digital Ambition covers 5 themes. Efforts focus on eg simplification, talent and competence, innovation and new technology as well as a data-driven business. On this basis the Bank will become even better at taking advantage of the opportunities offered by new technology. This will boost the Bank's innovative capacity and its competitiveness for the benefit of customers, employees and shareholders.



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 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
- Wealthy retail clients

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

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 developments in customer satisfaction within the corporate, Private Banking and retail segments.

We are proud to have Denmark's most satisfied corporate clients. The customer satisfaction survey conducted by Aalund showed that in 2023 Sydbank not only had the highest customer satisfaction but also took first place in 9 of the 15 underlying questions. In addition the survey shows a rise in corporate clients' loyalty. The number of corporate clients considering switching banks fell in 2023 to a level significantly below the market average.

In 2023 in collaboration with EPSI Sydbank started semi-annual surveys of satisfaction among Private Banking clients. With these surveys we can monitor developments in customer satisfaction and at the same time monitor the Bank's performance as regards the most important processes. The findings from 2023 show that customer satisfaction among Private Banking clients is at a high level. Moreover dedicated focus on proactive relevant communication has boosted satisfaction and customers' experience that Sydbank proactively makes relevant proposals regarding their finances.

Retail clients' satisfaction with Sydbank is polled via its own surveys in collaboration with EPSI. Retail clients are invited 4 times a year to indicate their satisfaction with Sydbank. Findings show that, following a 2023 with several large changes, retail clients' satisfaction with Sydbank is not at the desired level. Consequently in 2024 the Bank will continue to use surveys to monitor developments locally in the Bank's branches and thus identify and act on the most value-creating points of improvement.

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 can benefit from the Bank's wide range of products.

Corporate clients are divided into 6 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 Small 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 the company's requirements. We make 4 promises to our corporate clients: personal advice, an annual cooperation plan, access to specialists and the Bank's strategy compass which supports the dialogue about the company's 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 together with the customer formulate and maintain on a regular basis a plan for the future business relationship. In addition the Bank offers a strategy compass to support strategic discussions about eg the financial ratios, development potential and future plans of the company.

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

Leasing

Sydbank Leasing offers leasing solutions to businesses. Rolling stock, cars, 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. The Bank offers asset management to wealthy customers and institutions through individual portfolio management agreements tailored to the requirements of the individual customer. Moreover the Bank offers investment management solutions to its various customer segments, including Private Banking clients and retail clients. Finally the division prepares economic research and equity research.

Retail

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

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 and with extended opening hours.

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

Backed by the best business partners we can offer our retail clients a full product range covering daily finances and housing, pension, insurance and mortgage credit.

Retail clients can contact Sydbank through several channels. We satisfy customers' needs for physical and virtual meetings and also Sydbank Mobilbank helps customers manage their daily finances.

We are where our customers are and are accessible when we are needed. Therefore retail clients can get in contact with an adviser every day of the week and get in touch with our customer service department 7 days a week from 8am to 8pm.

Sydbank's advice to retail clients is always – regardless of the choice of channel – competent and attentive based on customers' finances and needs – regardless of whether the customer's daily finances or special financial circumstances are involved.

Sydbank Markets

Sydbank Markets offers advice and quotes prices as regards bonds, shares and foreign exchange as well as undertakes market making obligations with respect to a number of units and shares. Sydbank Markets serves institutional clients, central banks, asset managers, foreign clients, major corporate clients, banks as well as Sydbank's decentralised investment centres and departments. Moreover Sydbank Markets is a primary dealer in Danish mortgage bonds in series issued by Nykredit, DLR Kredit, Realkredit Danmark, Jyske Realkredit and Nordea Kredit.

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 performance.

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 23 March 2023 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 21 March 2024.

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.

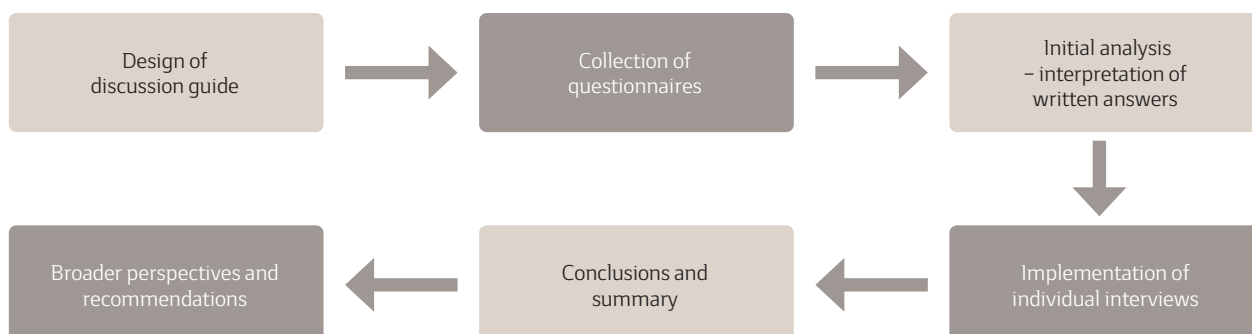
The Board of Directors carries out an annual self-evaluation where the work and performance of the Board of Directors are assessed.

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 2023 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:

Board of Directors – self-evaluation



- 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 150-156.

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.com, which also contains an introduction to the members and their qualifications.

Audit Committee

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

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

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.

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 2023.

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's special qualifications are in areas such as financial management, accounting, risk and credit management, ESG, auditing and governance.

Committee members: Søren Holm, former group executive, (Chairman); Jacob Chr. Nielsen, CEO; Gitte Poulsen, executive manager; 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 6 times in 2023.

Committee members: Henrik Hoffmann, former head of credits, (Chairman); Janne Moltke-Leth, executive manager; Jon Stefansson, attorney; and Pia Wrang, assistant vice president, Private Banking.

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 monitor 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 3 times in 2023.

Committee members: Gitte Poulsen, executive manager, (Chairman); Jon Stefansson, attorney; and Jørn Krogh Sørensen, head of credits.

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 5 times in 2023.

Committee members: Janne Moltke-Leth, executive manager, (Chairman); Lars Mikkelsen-Jensen, former CEO and managing director; and Susanne Schou, deputy chief executive.

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

2023	Board of Directors	Audit Committee	Risk Committee	Remuneration Committee	Nomination Committee	Digitization Committee
Lars Mikkelsen-Jensen (Chairman)	21/21		1/1		3/3	5/5
Jacob Chr. Nielsen (Vice-Chairman)	21/21	6/6			2/2	
Janne Moltke-Leth	19/21		6/6		5/5	
Susanne Schou	20/21				5/5	5/5
Gitte Poulsen	19/21	6/6		3/3		
Jon Stefansson	20/21		6/6	3/3		
Søren Holm	21/21	6/6				5/5
Henrik Hoffmann	21/21		6/6			
Ellen Trane Nørby – new member in 2023	16/17					
Carsten Andersen	21/21	6/6				
Jarl Oxlund	21/21					5/5
Jørn Krogh Sørensen	21/21			3/3		
Pia Wrang	19/21		5/5			

(attendance/number of meetings)

Digitization Committee

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

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

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

The Digitization Committee convened 5 times in 2023.

Committee members: Susanne Schou, deputy chief executive, (Chairman); 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; Jørn Adam Møller, Deputy Group Chief Executive; and Stig Westergaard, 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.com.

Other directorships held by the Group Executive Management can be seen on pp 158-159.

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 and 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.com.

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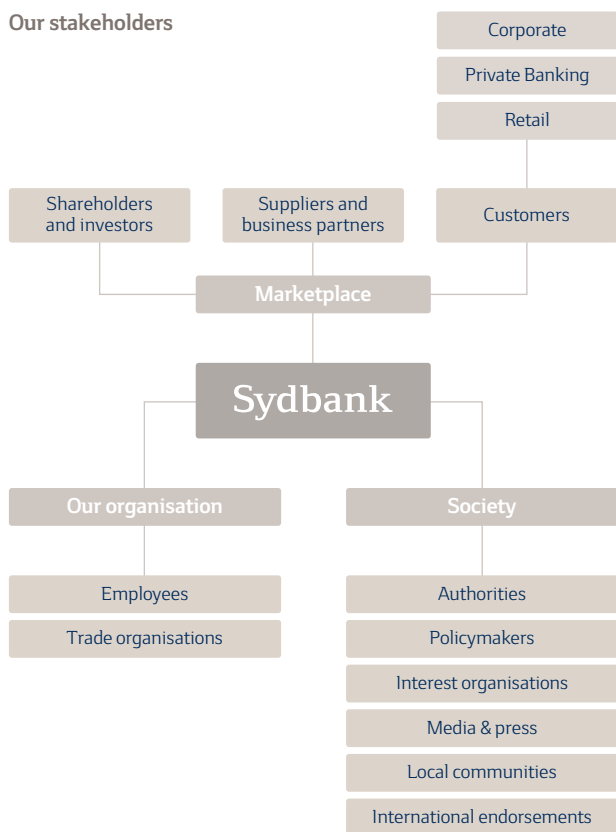
Trust in the financial sector is essential for growth in society. Sydbank is one of Denmark's largest banks and given its SIFI label the Bank has a responsibility for making a positive contribution to developments in society.

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 in "Mission Statement and Business Goals".

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 and highly skilled employees 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



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. Professional 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

Sydbank believes that active local communities are important. This is reflected in its sponsorships and fund donations. Sydbank supports more than 300 small and large associations across the country – primarily within team sports and grassroots sports. In 2023 Sydbank Fonden donated upwards of DKK 13.5m to more than 400 projects and Trelleborg Fonden in excess of DKK 2.5m to more than 75 projects.

Money Week

Learning about money is important at any age. This is why we participate in Money Week organised by the interest organisation Finance Denmark. During this week employees from Sydbank visit schools throughout the country to teach classes in financial literacy.

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 133.

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 more information on the DPO see "Data Protection Officer" below.

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 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 across the Bank 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 group executive vice presidents (or their representatives) as well as the DPO.

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 in "Consumer protection and product management" below.

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 with a head of audit reporting to the 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 the most 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 existence for the next generations. We take this responsibility seriously.

Sustainability and the related ESG issues are included as an 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 in "Mission Statement and Business Goals".

Sydbank is subject to new sustainability reporting requirements for the financial year 2024. The reporting requirements are set out in the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS). In 2023, in preparation for reporting for the 2024 financial year, Sydbank conducted a double materiality assessment of the Bank's impact, risks and opportunities so that the Bank is best positioned in terms of the new reporting requirements.

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 targets 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.

Employees at Sydbank receive mandatory training in ESG and sustainability on an ongoing basis. The training programme 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 in a variety of subjects supporting a decent bank. Sydbank has set targets for the

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completion rates of the training courses. This is described in more detail in "ESG Data and Data Processing".

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 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 the Bank's CEO as well as group executive vice presidents from the relevant divisions in the Bank. The forum ensures dialogue and the exchange of ideas on the targets for the 5 strategic focus areas and also 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 ESG reporting. 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.

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 these recommendations.

Sydbank joined the UN Global Compact in 2020 – which is the world's largest initiative for corporate responsibility and sets universal standards for companies' progress, reporting and communication as regards sustainability.

5 focus areas and their targets



Responsible finance

Target: DKK 10bn for green finance in 2027



Responsible investment

Target: at least 50% reduction in CO₂e footprint from investments in 2030 compared to the footprint in 2020



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Target: at least 95% of employees have completed in-house courses supporting a decent bank



Responsible employer

Target: top-in-class employee engagement compared to the sector



Responsible climate footprint

Target: 75% reduction in CO₂e footprint from own operations compared to the footprint in 2019

In 2020 Sydbank signed the UN Principles for Responsible Banking, which define the framework for sustainable banking and include an annual reporting obligation. Signatory banks align their sustainability efforts and business activities with the UN Sustainable Development Goals and the Paris Agreement.

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's GDPR department 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 personal data legislation, 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 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 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.

The 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 data ethics and the principles governing ethical, responsible and transparent data processing.

All employees 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 make sure that our data processing is improved on an ongoing basis and we also collaborate with the relevant 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. Cyber security and information security are therefore a high priority.

Sydbank's approach to cyber security and information security is an approach ensuring that we comply with legislation and implement recommended measures. Furthermore operational cyber security is strengthened on a continuing basis where focus is on preventing hostile persons from accessing our systems. 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.

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To strengthen the Bank's cyber resilience 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 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 their representatives) 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, the AML committee and the Board of Directors when new risks are identified at the Bank. The overall progress at the Bank as well as in society is also 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 reporting as well as 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, 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, 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, employees at Sydbank receive annual mandatory training in the prevention of money laundering and terrorist financing.

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. For instance guidelines on receiving gifts are set out in the Bank's conflicts of interest policy.

Sydbank disapproves of any form of corruption or 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 exists. Once a year the policy is updated and approved by the Board of Directors, which was also the case in 2023. 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 employees at Sydbank receive mandatory training in compliance issues, including selected topics regarding the prevention of corruption and bribery.

Sanctions due to Russian invasion of Ukraine

In its efforts to identify suspicious transactions regarding money laundering and terrorist financing, the Bank monitors transactions. In addition foreign transactions are screened against existing EU, UN and OFAC sanctions lists. Since Russia's invasion of Ukraine in 2022 special focus has been on the sanctions against Russia – also in 2023. All transactions to and from Russia as well as a number of Russia's neighbours are checked beforehand to ensure that Sydbank and customers comply with the sanctions in place. In addition focus has been on ensuring that sanctioned securities have not been traded via Sydbank and deposits from Russian citizens have not been accepted.

Sydbank's whistleblower scheme

Sydbank will do business in an ethical and responsible manner. In compliance with EU whistleblowing legislation the Bank has set up a scheme that can be used by employees and the Bank's stakeholders to report a suspicion of serious or repeated violations of applicable law or the Bank's internal guidelines.

The scheme aims to bring matters to light that would not otherwise have been brought to the Bank's knowledge and should be seen as a supplement to the usual reporting channels, such as direct and indirect communication at the workplace about errors and unsatisfactory conditions.

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. The chairman of the Board of Directors' Audit Committee is informed about the reports and how they are dealt with.

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. The 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 the Bank has product approval procedures and product governance measures so that we do not recommend problematic products to our customers. Continuous training and tests in product knowledge help to support the measures in this area.

The 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. The Bank's retail products, including deposit and loan products, are subject to continuous monitoring, which ensures follow-up on developments in product characteristics and distribution to customers.

Sydbank is subject to MiFID II's product governance rules. This means that 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.

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Fighting IT fraud

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. The Bank 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 the media as well as on our own digital channels and platforms, information on fraud is provided on an ongoing basis and advice is offered on how to avoid fraud. In 2023 Sydbank also established the website sikkerklikker.dk to better equip customers and the general public against IT fraud. Sydbank organises "Stop svindlerne" (Stop the fraudsters) events where participants can learn how to protect themselves against financial fraud.

Healthy corporate culture

Being a nationwide, full-service, corporate and advisory bank Sydbank plays a key role in society. Consequently society rightly expects that Sydbank will fulfil its role prudently.

Sydbank's policy for healthy corporate culture has been formulated to ensure and preserve a healthy corporate culture. 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 healthy corporate culture 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.

In addition Sydbank's code of conduct sets out the general guidelines for Sydbank's business conduct and applies to management and 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 concerning the Bank's most important business areas, namely lending and asset management. For more information about these rights, reference is made to "ESG in Core Business".

Responsible employer

Well-being and security for employees

Sydbank seeks to offer its employees a healthy and attractive work environment as well as 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 a target for its employee engagement to be top-in-class compared with the financial sector in Denmark.

The Bank will continue to have highly skilled employees – a goal that is achieved via training and recruitment. 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. In 2023 preventing online harassment was one of the focus areas of the health and safety organisation.

Unfortunately conflicts and unpleasant confrontations occur occasionally between employees and customers whose expectations have not been met. These confrontations can affect employees' physical and emotional well-being – in some instances so severely that the consequences are considered a work-related injury. In 2023 the Bank reported 8 work-related injuries (2022: 16) and 21 unpleasant customer experiences (2022: 13).

The overall guidelines regarding employee matters are set out in Sydbank's internal training policy, health policy and staff manual as well as the Bank's policy for healthy corporate culture.

Diversity

At Sydbank we believe that diversity among managers and employees creates the best results. A diversity policy has been formulated for the Board of Directors which is designed to promote sufficient diversity among board members and describe the qualifications and competences that must be possessed

collectively by board members. Diversity must be ensured in terms of age, gender, educational and professional background as well as experience.

Once a year the Nomination Committee plans and carries out a self-evaluation of the competences of the Board of Directors to determine whether the qualifications and competences of its members are adequate, whether there is a need to add to the board's number, whether any training or educational measures should be initiated or any board members should be replaced. The diversity policy sets goals for the qualifications and competences that the Board of Directors must possess. The goals include general statutory, sector-specific and other professional competences and specify whether all or only some board members must possess these competences.

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 (the Group Executive Management as well as group executive vice presidents). Sydbank's overall objective is to achieve an equal gender balance among all managers and the policy contains for instance a target that the underrepresented gender will account for at least 35% of all employees in management positions in 2025. In addition to the overall objective Sydbank has set a collective target for the Group Executive Management as well as for group executive vice presidents as shown in the table opposite. In 2023 there were no changes in the composition of the Group Executive Management or as regards group executive vice presidents causing the total calculated target to be reached already in 2023. The Bank is working on moving closer to the targets by 2025.

Sydbank will seek to achieve the objectives of a more equal gender balance among managers in connection with the recruitment of new managers as well as by supporting more broadly the development of existing employees. 2 concrete HR initiatives to facilitate the achievement of these objectives were implemented in 2023. The initiatives are bias workshops focusing on diversity and a targeted development programme for women with leadership potential.

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

Organisational composition	2023
Average number of employees (FTEs)	2,076
Number of employees in flex jobs	15
Absence due to sickness (%)	3.1
Employee turnover rate (%)	12.2
Gender balance (M/F) among employees (%)	51/49
Pay gap between CEO and employees (times)	14.6
Pay gap between men and women across Sydbank (times)	1.2
Employees in management positions	275
Employees in management positions (%)	13.0
Underrepresented gender among employees in management positions (%)	30.9
Supreme governing body	
Number of board members*	9
Underrepresented gender on the board* (%)	44.4
Target for the underrepresented gender: 40%	
Target must be achieved by year: Target achieved	
Other management levels	
Number of Group Executive Management members	3
Underrepresented gender in the Group Executive Management (%)	33.3
Target for the underrepresented gender: 30%	
Target must be achieved by year: 2025	
Number of group executive vice presidents	34
Underrepresented gender among group executive vice presidents (%)	17.7
Target for the underrepresented gender: 20%	
Target must be achieved by year: 2025	
Number of members in other management levels (Group Executive Management and group executive vice presidents)	37
Overall calculated target for other management levels: 20.8%	
Status of calculated target for other management levels (%)	18.9
Calculated target for other management levels must be achieved by year: 2025	

* Of shareholder-elected board members.

A Decent Bank

that the underrepresented gender accounts for a minimum of 40% of shareholder-elected board members. The underrepresented gender on the Board of Directors accounts for 44.4% and consequently an equal gender balance in the supreme governing body was achieved in 2023.

Sydbank does not wish to discriminate on pay. We focus on ensuring that a salary is fair and appropriate according to job content and an employee's qualifications. Sydbank has several professional groups where one gender is overrepresented. The gender overrepresentation as regards various professional groups affects the pay gap at Sydbank. When focusing on 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 2023 the median salary for men was 1.2 times higher than the median salary for women, which was also the case in the 2022 financial year.

Responsible climate footprint

Ambition and objective

Sydbank will be respectful of the environment in all aspects of its business by reducing its adverse impact and making a positive difference in order to reach its own, national and global climate targets. The Bank optimises energy efficiency on an ongoing basis to reduce its consumption. High priority is given to transparent reporting of Sydbank's CO₂e emissions and consequently its CO₂e accounts are based on the Greenhouse Gas Protocol. The Bank has an ambitious approach to its own energy consumption and therefore a target was set in 2022. The target is a 75% CO₂e reduction from its own operations (scope 1 and scope 2) in 2030 compared to the CO₂e emissions in 2019.

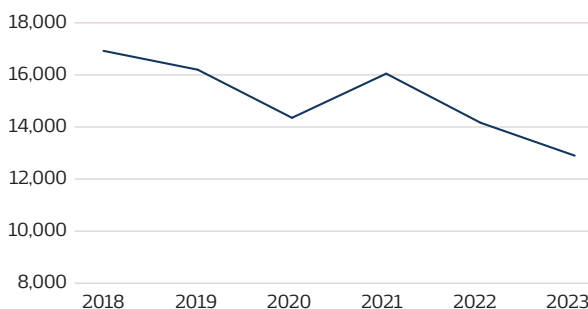
Energy consumption

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 has used an automated energy management tool which monitors consumption on an hourly basis. Alarms are linked to the system which sends a warning if readings are constantly high or if there are variations in data. The tool allows the Bank to calculate its consumption according to the Greenhouse Gas Protocol.

Apart from one year Sydbank's consumption has been on the decline since 2018. The reduction is primarily attributable to an improvement in energy efficiency by means of a number of energy-related initiatives.

Energy consumption – MWh



Renewable energy sources and energy optimisation

The use of renewable energy sources is important in order to achieve Sydbank's target to reduce its CO₂e footprint from its own operations significantly. Sydbank has set up solar cell systems at a number of locations, eg at the Bank's head office in Aabenraa as well as in Svendborg, Næstved, Padborg, Esbjerg and Slagelse. In 2023 the electricity generated from the solar cell systems represented 7.5% (2022: 7.2%) of Sydbank's total power consumption.

Sydbank does not regard climate compensation as a first choice. 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 buys electricity generated by Danish wind turbines to offset its consumption of conventional power and to promote the use of renewable wind energy in Denmark.

Energy optimisation is a necessary tool to lower the Bank's actual consumption. In 2023 light sources covering an area of around 9,885m² (2022: 5,500m²) were replaced with sensor activated LED lighting. The total area replaced with sensor activated LED lighting represents about 72% (2022: 60%) of the Bank's building stock. In addition new technologies that help to improve energy efficiency have been implemented on an ongoing basis, for instance Sydbank's building management system has been updated to the newest generation in terms of energy efficiency. Sydbank is constantly working to finetune and optimise its heating and ventilation systems.

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 2023 Sydbank's reuse of IT equipment reduced CO₂e emissions into the atmosphere as the Bank sent 313 screens and 409 computers to be reused. 75% of the screens and 95.5% 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.

In its action plan to finance sustainable growth, the EU has given the financial sector 2 overall tasks: 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 investment advice and 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, our customers and our own needs. Sydbank is working on establishing structured 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 providing finance to the Bank's customers. The Bank's sensible approach as regards lending supports a high credit quality. Sound advice and creditworthiness assessments must ensure that customers will be able to repay debt without being placed in an unsustainable financial situation.

Sydbank's first green bond issuance

Sydbank wants to contribute to financing the green transition. Consequently in 2022 Sydbank prepared a Green Bond Framework and issued its first green bond on the basis of this framework in September 2022. Yet a green bond issuance followed in September 2023 and the Bank has now issued green bonds totalling EUR 1bn.

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 issuances Sydbank has committed to the following: that within 36 months the proceeds from the issuance must be allocated to loans that comply with the Bank's Green Bond Framework.

In connection with the publication of Sydbank's first report on green lending (Impact and Allocation Report) in September 2023 the Bank announced that the entire proceeds from the 2022 issuance had been allocated to green finance, which has resulted in emissions avoidance of 221,991 tonnes CO₂e.

In future Sydbank will report once a year on the allocation of proceeds from the green bond issuance.

Green lending and green finance target of DKK 10bn

Sydbank wishes to be able to offer more green products to help support the financing of the green transition. In addition Sydbank has set a target that the Bank has provided loans of DKK 10bn for green purposes in the period 2020-2027. This target has been upgraded since 2022 because we reached our 2025 target of DKK 4bn for green finance already in 2023. At year-end 2023 Sydbank's lending for green purposes has reached DKK 5bn since 2020.

Status – green finance (DKKbn)



We regularly address what we call green lending products. Sydbank's Energilån (energy loan) seeks to make it attractive for retail clients to make their homes more energy efficient – to save money as well as to reduce CO₂e emissions. The package of green lending products was expanded in 2023 with a new EV loan for retail clients and a green loan for corporate clients – 2 lending products that are characterised as green finance under the Bank's Green Bond Framework.

ESG risks – credit evaluations

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 risks is obtained on the basis of information about a customer's business together with the Bank's industry knowledge and analyses. ESG risks are an integrated element of the Bank's credit evaluation of a customer. As a result Sydbank gains insight into the customer's sustainable transition and any risks. The integration of ESG in credit evaluations is anchored in the Bank's credit policy.

ESG in Core Business

ESG reservations in Sydbank's credit policy

Sydbank's credit policy highlights that Sydbank should have a cautious approach to customers whose activities, business model or future earnings are particularly exposed to ESG risks. Sydbank has decided that some ESG issues are so serious that it will not provide finance to businesses that:

- do not have measures in place to ensure safe handling of hazardous waste
- do not have the necessary licences for activities requiring publicly issued environmental permits
- do not observe human rights in accordance with the Universal Declaration of Human Rights
- use child labour in violation of the UN Convention on the Rights of the Child

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 using Finance Denmark's CO₂ model for the financial sector.

Corporate loans account for most of Sydbank's loans. Compared to loans to retail clients, corporate loans are associated with substantially higher CO₂e emissions per unit loaned. The overall CO₂e footprint in tonnes of Sydbank's loans represented 703,246 at 31 December 2023 and corresponds to an emission intensity of 10.21 tonnes per DKK 1m.

As a supplement to the CO₂e footprint of the Bank's loans, the CO₂e footprint of mortgage loans arranged for by the Bank is calculated. The CO₂e footprint in tonnes of the Bank's arranged mortgage loans totals 275,150. Read more about the calculation under the heading "ESG in core business" in "ESG Data and Data Processing".

Reduction targets for CO₂e footprint of loans

Sydbank will help to support the sustainable transition by providing finance to customers in their pursuit of a greener way of life or a more sustainable business model.

As Denmark's Corporate Bank Sydbank's lending portfolio reflects a broad spectrum of the Danish corporate sector. A number of elements, including the economy, political initiatives and incentives, sustainability in business models as well as readiness to change, influence how customers transition. The speed of adapting to a higher level of sustainability will vary and there will be significant differences in how much individual customers will need to do.

It is our expectation that overall Sydbank's customers will follow the general sustainable transition in Denmark. Sydbank will follow its customers in this transition. Based on this approach, the Bank will set targets to reduce CO₂e emissions related to total lending. The targets reflect the political objectives and the Danish Energy Agency's climate projections as Sydbank's ambition is that its reduction targets reflect the reality experienced by customers. Sydbank's reduction targets have been determined on the basis of our current lending portfolio and our line of approach that we will support our customers' sustainable transition.

Reduction targets

Electricity and heat production

50% reduction in emission intensity of electricity and heat production from 2021 to 2030.

The target covers loans for electricity and district heating.

The reduction is calculated in tCO₂e/DKKm.

Agriculture

40-50% reduction in emission intensity of the agricultural sector from 2021 to 2030.

The target covers loans to corporate clients with activities within crop production and livestock farming, plant propagation as well as services to the agricultural sector and processing after harvest.

The reduction is calculated in tCO₂e/DKKm.

Transport by road

30% reduction in emission intensity of the transport sector from 2021 to 2030.

The target covers loans to corporate clients engaged in road transport and removal services.

The reduction is calculated in tCO₂e/DKKm.

Owner-occupied dwellings

65% reduction in emission intensity of owner-occupied dwellings from 2021 to 2030.

The target covers loans for private owner-occupied dwellings.

The reduction is calculated in tCO₂e/DKKm.

Private cars

55% of new car loans must be for EVs in 2030.

The target covers loans for private cars.

The reduction is calculated as the number of new EV loans.

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 process aims to ensure that our investment decisions take into account all relevant risks, including sustainability risks.

Sustainability in investment situations

Sydbank's investment managers must be equipped in the best possible way to talk about sustainability in investment situations. This is why investment managers received additional training in 2023 to identify customers' sustainability preferences.

In order to create transparency regarding the share of sustainable investments in the Bank's investment products a method to calculate this share was developed in 2023. The Bank's customers will be able to see the share of sustainable investments in the Bank's investment pools in the first quarter of 2024.

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.

Principles of active ownership

We are basically of the opinion that selling off polluting companies in strategically important industries, eg cement and steel, will not contribute effectively to a sustainable transition. However we are conscious that active ownership in the form of engagement and voting at general meetings can be contributory factors in companies developing a more sustainable business model and eg being in a position to lower their CO₂e emissions.

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. In some instances the exclusion of companies and countries may be a necessary consequence of ensuring a responsible investment process.

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. By joining forces with other investors in the engagement process 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 the investment portfolio 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 2023 6 engagement cases were closed successfully and 6 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. Sydbank collaborates with an external service provider on voting via a voting platform. Voting aims to encourage management to promote the company's transition to a more sustainable business model.

In 2023 Sydbank voted against board recommendations in 10.6% 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.

At the end of 2023 Sydbank's exclusion list contained 313 companies. The list is compiled on the basis of the companies in which we can invest.

Also countries may be excluded when investing 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 of development and its development potential in the long term. Our strategy is for certain minimum criteria to be met at all times. A number of internationally recognised norms as well as Denmark's sanctions and the EU's sanctions represent the minimum criteria but focusing exclusively on norms cannot stand alone. 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 had excluded 22 countries from its investment universe regarding government bonds at the end of 2023.

CO₂e footprint of the Bank's investment portfolio – climate target

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

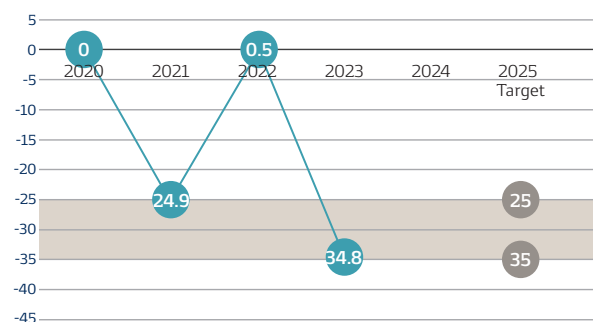
Sydbank's climate target is a CO₂e footprint of the investment portfolio which is 50-70% lower in 2030 compared to 2020. To ensure that we remain on track we have set a subtarget that the CO₂e footprint of the investment portfolio is 25-35% lower in 2025.

The climate impact of companies is included in our investment selection process so that our overall investment portfolio is continuously adapted to the target. It is Sydbank's ambition that all asset classes are included in our climate target as data and methods of calculation mature. As a first step our investments in shares and corporate bonds are included in the climate goal.

The starting point for the calculations is the CO₂e footprint of shares and corporate bonds at the end of 2020. Mortgage bonds generally have a lower CO₂e footprint than shares and corporate bonds. We project that the CO₂e footprint of the portfolio will decrease when it becomes possible to include mortgage bonds in our calculation as they account for 28.4% of the investment portfolio.

In 2023 the CO₂e footprint of the investment portfolio was smaller than that of 2020. The smaller CO₂e footprint is predominantly attributable to changes in the portfolio with less exposure to the oil and gas sector. Furthermore rising financial markets and actual CO₂e reductions in companies contribute to a smaller CO₂e footprint of the investment portfolio. The trend in the CO₂e footprint in 2023 emphasises that a number of external factors beyond Sydbank's control have an impact on the Bank's possibilities of achieving its climate goal. Despite these external factors targeted efforts are however made to select companies with CO₂e efficient business models or companies that have a significant efficiency potential in terms of their current CO₂e emissions.

Percentage change in emissions per million USD invested compared to level at year-end 2020



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 CSR 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 2023 – 31 December 2023 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.

Human Resources 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 16 November 2023

Theme	Completion rate
Prevention of money laundering and terrorist financing	99.9
Processing of personal data	99.5
Information security	99.9
Compliance at Sydbank	100.0
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.

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 and the next survey is scheduled for 2024. 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 gives all its business partners in the sector the same questions. 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 receives 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.

There were fewer work-related injuries in 2023 than in 2022. The number of work-related injuries in 2023 is comparable to the number of injuries in 2021. Sydbank is largely an office workplace that has a low number of work-related injuries.

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 health and safety.

ESG Data and Data Processing

The number of unpleasant customer experiences in 2023 was higher than in 2022. Previously the number of unpleasant customer experiences concerned a single incident but in 2023 several reports of unpleasant customer experiences were made regarding one single incident, which has resulted in a rise in the number of unpleasant customer experiences reported. Employees are informed on an ongoing basis of the possibility of reporting unpleasant customer experiences. Awareness of the possibility of reporting unpleasant customer experiences was also a key focus in 2023.

Reported incidents	2023	2022	2021
Number of work-related injuries	8	16	9
Number of unpleasant customer experiences	21	13	1

Organisational composition

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 is the Group's average number of staff translated into full-time staff (FTEs) during the accounting period.

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.

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.

The gender balance expressed as a percentage is calculated on the basis of all the Group's employees and includes group executive management members. Gender is defined on the basis of civil registration number.

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.

The number of employees in management positions is calculated as all permanently employed managers with staff responsibilities, excluding the Group Executive Management. The underrepresented gender among employees in management positions is calculated on the basis of all permanently employed managers with staff responsibilities.

Only shareholder-elected members are included in the calculation of Sydbank's supreme governing body (the Board of Directors). The underrepresented gender in Sydbank's supreme governing body and other management levels (the Group Executive Management and group executive vice presidents) is calculated at the end of the accounting period according to civil registration number.

Sydbank has 2 targets for the underrepresented gender in other management levels and the Bank has an overall calculated target as regards other levels of management. The overall calculated target is found by calculating the FTEs of the underrepresented gender of the Group Executive Management and of the group executive vice presidents and subsequently calculating 1 overall weighted target figure for the 2 groups.

Organisational composition	2023	2022	2021
Average number of employees (FTEs)	2,076	2,072	2,168
Number of employees in flex jobs	15	15	17
Absence due to sickness (%)	3.1	3.5	5.8
Employee turnover rate (%)	12.2	14.0	15.8
Gender balance (M/F) among employees (%)	51/49	50/50	49/51
Pay gap between CEO and employees (times)	14.6	14.2	13.9
Pay gap between men and women across Sydbank (times)	1.2	1.2	1.3
Employees in management positions	275	-	-
Employees in management positions (%)	13.0	13.0	12.9
Underrepresented gender among employees in management positions (%)	30.9	31.8	30.5
Supreme governing body			
Number of board members*	9	8	8
Underrepresented gender on the board* (%)	44.4	37.5	37.5
Other management levels			
Number of Group Executive Management members	3	3	3
Underrepresented gender in the Group Executive Management (%)	33.3	33.3	33.3
Number of group executive vice presidents	34	-	-
Underrepresented gender among group executive vice presidents (%)	17.7	-	-
Number of members in other management levels (Group Executive Management and group executive vice presidents)	37	-	-
Overall calculated target for other management levels: 20.8%			
Status of calculated target for other management levels (%)	18.9	-	-

* Of shareholder-elected board members.

Responsible climate footprint

Limitation

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

Consumption

Sydbank's consumption data is primarily collected in an automated energy management tool App.KeepFocus. The energy management tool monitors 96.7% of Sydbank's electricity and heat consumption on an hourly basis. The remaining 3.3% is calculated using local meters on the basis of estimates based on an average consumption per square metre for 2023.

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 is not included since consumption is less than 1% of total electricity consumption.

Sydbank is subject to new sustainability reporting requirements as set out in the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS) applicable from the financial year 2024.

To ensure that reporting is ESRS compliant consumption data and the CO₂e accounts for the 2023 financial year are stated according to defined tables in ESRS E1. Comparative figures for 2022 are presented according to the same method and the calculation in Sydbank's Annual Report 2023 can therefore not be found in Sydbank's Annual Report 2022.

Fossil energy consumption

Sydbank collects data on its consumption of petrol and diesel from the Bank's fuel suppliers.

Charging of EVs made available to employees as part of their salary package was reported for the first time in connection with the 2022 financial year.

Renewable energy consumption

The share of biogas in the Danish natural gas network from Evida is included in renewable energy consumption.

Renewable energy relating to electricity is calculated on the basis of purchased wind turbine electricity and electricity produced by the Bank's solar cells.

The renewable energy share relating to district heating consumption is based on calculations in accordance with the energy statistics of the Danish Energy Agency.

Energy consumption and mix (MWh)	2023	2022
Fossil energy consumption		
Fuel consumption from crude oil and petroleum products	1,384	1,336
Fuel consumption from natural gas	74	109
Consumption of purchased or acquired electricity, heat, steam and cooling from fossil sources	1,835	2,530
Total fossil energy consumption	3,293	3,975
Share of fossil sources of total energy consumption (%)	25	28
Renewable energy consumption		
Fuel consumption from renewable energy sources, including biomass	197	134
Consumption of purchased or acquired electricity, heat, steam and cooling from renewable energy sources	9,075	9,709
Consumption of self-generated non-fuel renewable energy	382	397
Total renewable energy consumption	9,654	10,240
Share of renewable sources of total energy consumption (%)	75	72
Total energy consumption	12,947	14,215

ESG Data and Data Processing

CO₂e accounts

Method of calculation

Sydbank prepares its CO₂e accounts regarding scope 1 and scope 2 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, district heating and district cooling. The difference between the location-based calculation and the market-based calculation of CO₂e emissions mainly reflects the fact that Sydbank has entered into an agreement with the Bank's electricity supplier to purchase electricity from renewable energy sources, which is included in the market-based calculation.

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

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 the following selected categories are included: category 6 – business travel – limited to business trips in employees' own cars and category 15 – indirect energy consumption from Bankdata. Indirect energy consumption from Bankdata is estimated on the basis of Sydbank's ownership interest. Consumption regarding cars registered in Germany was reported for the first time in 2023. Scope 3 emissions from activities in the Bank's core business (lending and investment) 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) but are included in the overall CO₂e accounts below.

In terms of the Bank's own operations, Sydbank's CO₂e accounts for 2023 show total emissions of 1,916 tonnes CO₂e (2022: 2,057 tonnes CO₂e) based on a location-based calculation. In 2023 CO₂e emissions declined by 6.9% compared to the previous year (2022: decline of 7.7%).

CO ₂ e accounts	2023	2022	Index	Base year 2019
Scope 1 GHG emissions				
Gross scope 1 GHG emissions*	371	373	99	454
Scope 2 GHG emissions				
Gross scope 2 GHG emissions – location-based	1,138	1,234	92	2,258
Gross scope 2 GHG emissions – market-based	391	597	65	2,258
Significant scope 3 GHG emissions				
6 Business travel*	281	300	94	367
15 Investments – Bankdata*	126	150	84	-
Total GHG emissions – own operations				
Total GHG emissions own operations – location-based	1,916	2,057	93	3,079
Total GHG emissions own operations – market-based	1,169	1,420	82	3,079
Significant Scope 3 GHG emissions – core business				
15 Investments – loans**	703,246	695,495		
15 Investments – investments***	86,174	101,632		
Total GHG emissions own operations and core business				
Total GHG emissions – location-based	791,336	799,184		
Total GHG emissions – market-based	790,589	798,547		

* Applies to location-based as well as market-based.

** Method of calculation can be found in "Accounting policies for the Bank's calculation of the CO₂e footprint of lending".

*** Calculation based exclusively on investments in shares and corporate bonds, which account for 58.2% of total investments. Method of calculation can be found in "Accounting policies for the Bank's calculation of the CO₂e footprint of lending".

ESG in core business

Data quality score

Sydbank's reporting of the CO₂e footprint of the Bank's lending and investments is based on the latest version of Finance Denmark's CO₂ model for the financial sector. Finance Denmark's CO₂ model uses a prioritised list of data quality based on the Partnership for Carbon Accounting Financials. Sydbank always uses the best available data based on the prioritised list in the CO₂ model.

It is Sydbank's wish that the financing of and investment in a sustainable transition occurs on an informed basis. Constant efforts are therefore made to strengthen data quality. When calculating the CO₂e footprint of the Bank's core business, Sydbank uses third party data and consequently it is especially relevant for the Bank to evaluate the quality of this data. The situation is different as regards calculations of the CO₂e emissions of Sydbank's own operations where the Bank uses its own data.

The data quality scores of data on which the CO₂e footprint is based are shown in the table below.

Data quality score of loans and investments (%)	Score 1	Score 2	Score 3	Score 4	Score 5	Weighted data quality score
Retail – residential property	-	-	42.9	47.7	9.4	3.67
Retail – car	-	-	-	100.0	-	4.00
Corporate	0.3	-	-	79.0	20.7	4.20
Total loans	0.2	-	3.3	77.3	19.2	4.15
Investments	-	95.8	-	4.2	-	2.08

Data quality is calculated on the basis of Finance Denmark's CO₂ model with 1 being the highest data quality score (where actual emissions are known, eg data is reported directly from the customer or company) and 5 the lowest score (where emissions are based exclusively on estimates).

Responsible finance

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

Sydbank's CO₂e footprint of lending is calculated on the basis of Finance Denmark's CO₂ model for the financial sector and the prioritised list of data quality.

The categories in Finance Denmark's CO₂ model do not cover all the Bank's loans and combined with data limitations, the CO₂e footprint of some of the 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.

The CO₂e footprint of the Bank's lending was reported for the third time in connection with the 2023 financial year.

The emission intensity of the Bank's total loans in 2023 is on a par with the emission intensity in 2022.

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 in 2023 is equal to the emission intensity in 2022.

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.

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.

ESG Data and Data Processing

The emission intensity of private cars went down from 2022 to 2023 and the decline is attributable to a change in the composition of car loans as the share of EV loans has increased. The number of EV loans went up especially in the second half of the year after Sydbank's EV loans were introduced in September 2023.

Residential properties

The CO₂e footprint of residential 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 residential 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, residential properties outside Denmark, cars that are not registered in Denmark and retail client loans that are not for cars, residential properties or that are secured on real estate. Loans for which the CO₂e footprint is not calculated constitute DKK 5,641m.

Separate calculation of arranged mortgage loans

The CO₂e footprint of arranged mortgage loans to retail clients is calculated in the same manner as the CO₂e footprint of home loans. As regards arranged mortgage loans to corporate clients the CO₂e footprint is calculated in the same manner as the CO₂e footprint of corporate loans. We are unable to calculate the CO₂e footprint of a total of DKK 13,290m in relation to arranged mortgage loans to retail clients.

Reporting of CO ₂ e footprint of loans	Loans (DKKm)	CO ₂ e footprint (t) of loans	2023 CO ₂ e footprint (t) per DKK 1m loan	Loans (DKKm)	CO ₂ e footprint (t) of loans	2022 CO ₂ e footprint (t) per DKK 1m loan
Retail – car	1,809	25,702	14.21	2,084	33,128	15.89
Retail – residential property	5,298	6,397	1.21	6,216	10,637	1.71
Total retail	7,107	32,099	4.52	8,300	43,764	5.27
Corporate	61,786	671,147	10.86	60,210	651,731	10.82
Loans – CO₂e footprint can be calculated	68,893	703,246	10.21	68,510	695,495	10.15
Loans – CO ₂ e footprint cannot be calculated	5,642	-	-	5,423	-	-
Total loans	74,535	-	-	73,933	-	-
Arranged mortgage loans – retail	70,863	54,148	0.76	73,388	63,201	0.86
Arranged mortgage loans – corporate	19,342	221,002	11.43	17,683	190,746	10.79
Arranged mortgage loans – CO₂e footprint can be calculated	90,205	275,150	3.05	91,071	253,947	2.79
Arranged mortgage loans – CO ₂ e footprint cannot be calculated	13,290	-	-	13,760	-	-
Total arranged mortgage loans	103,495	-	-	104,831	-	-
Loans + arranged mortgage loans – CO₂e footprint can be calculated	159,098	978,396	6.15	159,581	949,442	5.95
Loans + arranged mortgage loans – CO ₂ e footprint cannot be calculated	18,932	-	-	19,183	-	-
Total loans + arranged mortgage loans	178,030	-	-	178,764	-	-
Share of loans + arranged mortgage loans – CO ₂ e footprint can be calculated (%)	89	-	-	89	-	-

Responsible investment

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

The CO₂e footprint of Sydbank's investment portfolio is calculated on the basis of the latest version of Finance Denmark's CO₂ model for the financial sector and with available data at the top of the prioritised list of data quality prepared by Finance Denmark on the basis of the Partnership for Carbon Accounting Financials.

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. Mortgage bonds generally have a lower CO₂e footprint than investments in shares and corporate bonds. We project that the CO₂e footprint of the portfolio will decrease when it becomes possible to include the asset class mortgage bonds in our calculation as they account for 28.4% of the investment portfolio. The CO₂e footprint of the investment portfolio is a snapshot at the end of the accounting period.

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 2023, CO₂e data is available for 92.74% of the investment portfolio. In the calculation of the CO₂e footprint data coverage is set at 100% by multiplying our CO₂e emissions by factor 1.08.

The CO₂e footprint of the investment portfolio went down in 2023 compared to the level in 2022. The smaller CO₂e footprint is primarily attributable to developments in financial markets and also a rise in business volume, a CO₂e reduction from companies in the portfolio, portfolio changes, eg lower exposure to the oil and gas sector, as well as a higher percentage of reported CO₂e data.

The trend in the CO₂e footprint in 2023 underlines that several external factors beyond our control 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 in terms of their current CO₂e emissions.

CO ₂ e footprint of investments	2023	2022	Base year 2020
Business volume (DKKbn)	13.30	10.51	9.97
Emissions (tCO ₂ e)	86,174	101,632	109,863
Emissions per million USD invested (tCO ₂ e/m USD)	43.73	67.39	67.05
Percentage change in emissions per million USD invested compared to level at year-end 2020	(34.8)	0.5	-

Screening and active ownership activities

The screening of companies and our active ownership activities, including engagement regarding violations of international norms, exclusion as well as voting at general meetings, 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.

During 2023 several companies were added to the Bank's investment universe and in consequence the number of excluded companies has risen. Our ongoing ambition is to expand our active ownership efforts and therefore we increased our participation at general meetings in 2023.

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 overleaf 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 overleaf shows pending cases at the end of the accounting period.

ESG Data and Data Processing

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 Sustainalytics 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 overleaf shows the number of companies on our exclusion list at the end of the accounting period.

Exclusion of countries

Sydbank has developed its own process for ESG analysis of government bonds. An ESG analysis of the countries in 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 on 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.

Voting at general meetings

Sydbank collaborates with ISS Governance on voting via a voting platform. The platform is also used to collect data regarding the Bank's votes during the accounting period. Sydbank votes via the platform at selected general meetings of companies where we have made direct equity investments. The selection process is described in more detail in the Bank's responsible investment and active ownership policy.

Active ownership activities	2023	2022
Number of companies screened	1,559	1,389
Number of engagement cases concerning violations of international norms	53	50
Excluded companies	313	230
Excluded countries		
– investment in government bonds	22	22
Number of general meetings where Sydbank participated	331	170
Percentage of agenda items where Sydbank voted against the board of directors	10.6	10.1

Reporting under Article 8 of the Taxonomy Regulation

Sydbank supports a common definition of environmental sustainability. The EU taxonomy for environmentally sustainable activities sets an ambitious framework for which economic activities qualify as environmentally sustainable. At Sydbank we strive to live up to this ambitious approach in our work with responsible finance and investment.

The EU taxonomy is continuously updated and expanded. Sydbank monitors its development and gradual implementation. For the 2 previous financial years the Bank has reported on taxonomy-eligible activities. For this financial year the KPI Green Asset Ratio (GAR) is reported on for the first time. GAR shows the proportion of the Bank's total assets that are aligned with the taxonomy criteria and thus qualify as sustainable.

Accounting policies

Sydbank's taxonomy reporting is in compliance with Article 8 of the Taxonomy Regulation (EU 2020/852) and the Delegated Regulation (EU 2021/2178) and is based on the mandatory

reporting in accordance with Annexes V and VI to the Delegated Regulation.

Sydbank's taxonomy reporting is based on the Group's reporting pursuant to EU 2021/451 (FINREP), home loans and car loans to retail clients, investment activities and publicly available taxonomy reporting from corporate clients subject to taxonomy reporting.

GAR, the KPI of taxonomy reporting, will be low as a result of the currently prescribed calculation method. The technical screening criteria of the taxonomy and especially the principle of 'do no significant harm' are complex and remain a new field for Sydbank and its customers. Sydbank will continue to work to secure data and documentation for our lending activities and it is our ambition to improve our taxonomy reporting in the coming years. In addition the majority of Sydbank's corporate clients are SMEs which are not subject to taxonomy reporting. Consequently Sydbank's taxonomy reporting covers a small part of the Bank's total lending to corporate clients.

Template 0		Total environmentally sustainable assets (DKKm)	KPI (Turnover) (%) 1)	KPI (CapEx) (%) 2)	% coverage (over total assets) 3)	% of assets excluded from the numerator of the GAR (Article 7(2) and (3) and Section 1.1.2. of Annex V) 4)	% of assets excluded from the denominator of the GAR (Article 7(1) and Section 1.2.4 of Annex V) 5)
Main KPI	Green asset ratio (GAR) stock	198	0.2	0.2	57.5	33.6	42.5
Additional KPIs	Green asset ratio (GAR) flow	37	0.0	0.0	57.5	-	-
	Trading book	-	-	-	Not applicable		
	Financial guarantees	0	0.0	0.0			
	Assets under management	93	0.5	0.8			
	Fees and commissions income	-	-	-			

1) KPI based on turnover.

2) KPI based on CapEx.

3) Proportion of Sydbank's total assets included in GAR.

4) A number of types of assets are excluded from the numerator of GAR such as financial assets held for trading, cash and cash equivalents as well as exposures to SMEs.

5) Exposures to central governments, central banks and supranational issuers are excluded from GAR.

The full taxonomy reporting pursuant to Annex VI is available here: sydbank.com/investor-relations/financial-reports

ESG Data and Data Processing

Qualitative information about Sydbank's KPIs

Annex XI: Qualitative information to support Sydbank's explanation and the market's understanding of the KPIs	
<p>Contextual information in support of the quantitative indicators including the scope of assets and activities covered by the KPIs, information on data sources and limitation</p>	<p>The reporting of taxonomy-aligned economic activities is conducted in accordance with Commission Delegated Regulation (EU) 2021/2178 and related Annexes V and VI, which specify the content of reporting by credit institutions.</p> <p>The reporting is based on Sydbank's reporting in accordance with Commission Implementing Regulation (EU) 2021/451 (FINREP), the Bank's home loans and car loans to retail clients, investment activities and publicly available taxonomy reporting from corporate clients subject to taxonomy reporting.</p> <p>The statement for corporate clients is based on corporate clients subject to Article 8 of the EU Taxonomy Regulation. Data is collected from corporate clients' own reporting. Data on taxonomy alignment from financial undertakings is not yet publicly available and is therefore not part of this reporting.</p> <p>The statement for retail clients is based on home loans collateralised by residential property. The statement regarding the proportion of home loans differentiates between properties constructed before and after 31 December 2020, which is in compliance with the technical screening criteria of the Taxonomy Regulation. Retail loans to finance cars are considered taxonomy-eligible if the agreement is entered into after 31 December 2021, cf section 1.2.1.3.(ii) of Annex 5 to the Delegated Regulation.</p> <p>Sydbank's investment activities are found on the Bank's balance sheet and off the Bank's balance sheet.</p> <p>On-balance sheet investment activities, including the Bank's pooled plans, are accounted for in the trading portfolio and are therefore not included in GAR. Off-balance sheet investment activities, accounted for under 'assets under management', consist of discretionary portfolio management products.</p> <p>Sydbank's GAR is at a relatively low level for the 2023 financial year. This is attributable in part to limitations in accessing documentation and data.</p> <p>Sydbank has had a stronger focus on ensuring documentation for taxonomy alignment under the Taxonomy Regulation. This includes for instance EV loans. Sydbank's EV loans constitute approx DKK 320m. However since the Bank cannot provide documentation that EVs do no significant harm to the other environmental objectives under the taxonomy, EV loans are not part of the Bank's GAR.</p> <p>In addition Sydbank's primary customer segment is SMEs, which implies that a large proportion of Sydbank's corporate clients are not included in the calculation. For instance loans to SMEs are not included.</p> <p>Reporting in compliance with the Taxonomy Regulation has emphasised the importance of the Bank's continued work with ESG data and providing documentation in connection with green lending to ensure that in future these loans qualify as environmentally sustainable under the taxonomy.</p>
<p>Explanations of the nature and objectives of Taxonomy-aligned economic activities and the evolution of the Taxonomy-aligned economic activities over time, starting from the second year of implementation, distinguishing between business-related and methodological and data-related elements</p>	<p>Sydbank reports on GAR for the first time in the 2023 financial year, which means that there is no basis of comparison yet.</p>

<p>Description of the compliance with Regulation (EU) 2020/852 in the financial undertaking's business strategy, product design processes and engagement with clients and counterparties</p>	<p>ESG and sustainability are part of the Bank's strategy, which focuses on incorporating ESG and sustainability in the Bank's products and processes. The strategy does not follow the taxonomy's definition of environmental sustainability since the taxonomy was under preparation when Sydbank formulated its current strategy.</p> <p>Sydbank presented its Green Bond Framework in 2022 and the Bank has now issued two green bonds of a total of EUR 1bn. The framework, which contains five lending categories, is based on the taxonomy.</p> <p>It is a focus area for Sydbank to be able to offer loan products to its customers that qualify as green under Sydbank's Green Bond Framework. These loan products do not follow the taxonomy as alignment requires a level of documentation which Sydbank is not yet ready to pass on to its customers. As sustainability reporting matures in connection with the implementation of the new directive for sustainability reporting (CSRD), it is Sydbank's ambition that the Bank's loan products will achieve a higher degree of alignment.</p> <p>Employees at Sydbank receive continuous training in ESG-related issues. It is Sydbank's ambition that the Bank's financial advisers are equipped to engage in dialogue with customers about the sustainable transition. Sydbank's corporate financial advisers are required for instance to have a dialogue with customers about ESG issues and decide on an ESG score for the customer as regards new loan applications. When offering investment advice and hedging risk, Sydbank takes into account customers' preferences as to whether a proportion of the investment is taxonomy-aligned under the Taxonomy Regulation.</p>
<p>For credit institutions that are not required to disclose quantitative information for trading exposures, qualitative information on the alignment of trading portfolios with Regulation (EU) 2020/852, including overall composition, trends observed, objectives and policy</p>	<p>Sydbank is required to disclose quantitative information about trading exposures pursuant to Article 94(1) of Regulation 575/2013 on prudential requirements for credit institutions and investment firms.</p>
<p>Additional or complementary information in support of the financial undertaking's strategies and the weight of the financing of Taxonomy-aligned economic activities in their overall activity</p>	<p>Sydbank is not required to disclose a weighted GAR.</p>



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Income Statement

DKKm	Note	Sydbank Group		Sydbank A/S	
		2023	2022	2023	2022
Interest income calculated using the effective interest method		4,921	2,646	4,931	2,614
Other interest income		1,240	386	1,240	386
Interest income	7	6,161	3,032	6,171	3,000
Interest expense	8	1,694	433	1,856	398
Net interest income		4,467	2,599	4,315	2,602
Dividends on shares	9	20	30	31	42
Fee and commission income	10	2,494	2,671	2,343	2,547
Fee and commission expense	10	309	319	260	294
Net interest and fee income		6,672	4,981	6,429	4,897
Market value adjustments	11	737	386	778	427
Other operating income	12	24	24	25	25
Staff costs and administrative expenses	13	3,024	2,931	2,964	2,871
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment		139	115	141	111
Other operating expenses		23	44	23	44
Impairment of loans and advances etc	14	(27)	(96)	(27)	(96)
Profit/(Loss) on holdings in associates and subsidiaries	15	7	8	185	31
Profit before tax		4,281	2,405	4,316	2,450
Tax	16	939	504	941	513
Profit for the year		3,342	1,901	3,375	1,937
Distribution of profit for the year					
Shareholders of Sydbank A/S				3,336	1,898
Holders of AT1 capital				39	39
Total amount to be allocated				3,375	1,937
Proposed dividend to shareholders of Sydbank A/S				1,668	947
Interest paid to holders of AT1 capital				39	39
Proposal for allocation for other purposes				18	12
Transfer to equity				1,650	939
Total amount allocated				3,375	1,937
EPS Basic (DKK)*		58.8	32.2	60.0	33.0
EPS Diluted (DKK)*		58.8	32.2	60.0	33.0
Proposed dividend per share (DKK)		30.56	16.77	30.56	16.77

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

Statement of Comprehensive Income

Profit for the year	3,342	1,901	3,375	1,937
Other comprehensive income				
Items that may not be reclassified to the income statement:				
Property revaluations	(10)	12	(10)	12
Value adjustment of certain strategic shares	39	42	-	-
Other comprehensive income after tax	29	54	(10)	12
Comprehensive income for the year	3,371	1,955	3,365	1,949

Balance Sheet

DKKm	Note	Sydbank Group		Sydbank A/S	
		2023	2022	2023	2022
Assets					
Cash and balances on demand at central banks		6,523	8,134	6,523	8,134
Amounts owed by credit institutions and central banks	17	18,262	21,959	18,262	21,959
Loans and advances at fair value	18	16,743	10,490	16,743	10,490
Loans and advances at amortised cost	18	74,535	73,933	75,019	74,410
Bonds at fair value	19	34,619	30,553	34,619	30,553
Shares etc	20	3,018	3,064	3,018	3,064
Holdings in associates etc	21	164	165	164	165
Holdings in subsidiaries etc	22	-	-	2,295	2,128
Assets related to pooled plans	23	22,903	20,597	22,903	20,597
Intangible assets	24	329	364	328	363
Owner-occupied property	25	1,095	1,125	870	903
Owner-occupied property (leasing)		107	103	107	103
Total land and buildings		1,202	1,228	977	1,006
Other property, plant and equipment	26	60	48	59	48
Current tax assets		88	565	103	571
Deferred tax assets	16	94	8	94	11
Other assets	27	6,478	8,139	6,023	7,739
Prepayments		83	71	83	71
Total assets		185,101	179,318	187,213	181,309
Equity and liabilities					
Amounts owed to credit institutions and central banks	28	6,395	5,483	6,395	5,483
Deposits and other debt	29	111,651	107,501	113,926	109,637
Deposits in pooled plans		22,903	20,597	22,903	20,597
Bonds issued at amortised cost	30	11,161	13,242	11,161	13,242
Current tax liabilities		38	10	38	10
Other liabilities	31	15,906	17,180	15,782	17,076
Deferred income		15	12	15	12
Total liabilities		168,069	164,025	170,220	166,057
Provisions	32	166	197	166	195
Subordinated capital	33	1,118	1,115	1,118	1,115
Equity					
Share capital		565	584	565	584
Revaluation reserves		134	144	134	144
Other reserves:					
Reserves according to articles of association		429	425	429	425
Reserve for net revaluation according to equity method		3	2	3	2
Retained earnings		12,133	11,071	12,133	11,071
Proposed dividend etc		1,686	959	1,686	959
Shareholders of Sydbank A/S		14,950	13,185	14,950	13,185
Holders of AT1 capital		759	757	759	757
Minority shareholders		39	39	-	-
Total equity		15,748	13,981	15,709	13,942
Total equity and liabilities		185,101	179,318	187,213	181,309

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 2023	584	144	425	2	11,071	959	13,185	757	39	13,981
Profit for the period			4	1	1,606	1,686	3,297	39	6	3,342
Other comprehensive income		(10)			39		29			29
Comprehensive income for the year	-	(10)	4	1	1,645	1,686	3,326	39	6	3,371
Transactions with owners										
Purchase of own shares					(1,613)		(1,613)			(1,613)
Sale of own shares					1,013		1,013			1,013
Reduction in share capital	(19)				19		-			-
Interest paid on AT1 capital							-	(39)		(39)
Exchange rate adjustment					(2)		(2)	2		-
Dividend etc paid						(959)	(959)		(6)	(965)
Dividend, own shares					0		0			0
Total transactions with owners	(19)	-	-	-	(583)	(959)	(1,561)	(37)	(6)	(1,604)
Equity at 31 Dec 2023	565	134	429	3	12,133	1,686	14,950	759	39	15,748
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							0	(39)		(39)
Exchange rate adjustment					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

* 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 2023	584	144	425	2	11,071	959	13,185	757	13,942
Profit for the period			4	1	1,645	1,686	3,336	39	3,375
Other comprehensive income		(10)					(10)		(10)
Comprehensive income for the year	-	(10)	4	1	1,645	1,686	3,326	39	3,365
Transactions with owners									
Purchase of own shares					(1,613)		(1,613)		(1,613)
Sale of own shares					1,013		1,013		1,013
Reduction in share capital	(19)				19		-		-
Interest paid on AT1 capital							-	(39)	(39)
Exchange rate adjustment					(2)		(2)	2	-
Dividend etc paid						(959)	(959)		(959)
Dividend, own shares					0		0		0
Total transactions with owners	(19)	-	-	-	(583)	(959)	(1,561)	(37)	(1,598)
Equity at 31 Dec 2023	565	134	429	3	12,133	1,686	14,950	759	15,709
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					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

The share capital comprises 56,500,320 shares at a nominal value of DKK 10 or a total of DKK 565.0m. The Bank has only one class of shares as all shares carry the same rights.

Cash Flow Statement

Sydbank Group

DKKm	2023	2022
Operating activities		
Pre-tax profit for the year	4,281	2,405
Taxes paid	(528)	(938)
<u>Adjustment for non-cash operating items:</u>		
Profit/(Loss) on holdings in associates	0	0
Amortisation and depreciation of intangible assets and property, plant and equipment	139	115
Impairment of loans and advances/guarantees	(27)	(96)
Other non-cash operating items	(116)	(169)
<u>Changes in working capital:</u>		
Credit institutions and central banks	4,523	(6,930)
Trading portfolio	(4,132)	(1,963)
Other financial instruments at fair value	120	(198)
Loans and advances	(6,827)	(369)
Deposits	4,149	13,625
Other assets/liabilities	288	(1,110)
Cash flows from operating activities	1,870	4,372
Investing activities		
Sale of holdings in associates	3	8
Purchase of equity investments	(134)	(228)
Sale of equity investments	245	68
Purchase of property, plant and equipment	(92)	(72)
Sale of property, plant and equipment	2	10
Cash flows from investing activities	24	(214)
Financing activities		
Purchase and sale of own holdings	(600)	(427)
Dividend etc	(959)	(711)
Redemption of subordinated capital	-	(744)
Issue of bonds	3,727	3,718
Redemption of bonds	(5,758)	(3,718)
Cash flows from financing activities	(3,590)	(1,882)
Cash flows for the year	(1,696)	2,276
Cash and cash equivalents at 1 Jan	8,600	6,324
Cash flows for the year (changes during the year)	(1,696)	2,276
Cash and cash equivalents at 31 Dec	6,904	8,600
Cash and cash equivalents at 31 Dec		
Cash and balances on demand at central banks	6,523	8,134
Fully secured cash and cash equivalent balances on demand with credit institutions and insurance companies	381	466
Cash and cash equivalents at 31 Dec	6,904	8,600

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 28 February 2024 the Board of Directors and the Group Executive Management reviewed and approved the 2023 Annual Report of Sydbank A/S. The Annual Report will be submitted for adoption by the AGM on 21 March 2024.

New accounting policies

The following amended IFRS standards have been implemented effective from 1 January 2023:

- Amendments to IAS 1 regarding information about accounting policies, amendments to IAS 8 regarding the distinction between accounting estimates and accounting errors, amendments to IAS 12 regarding Pillar II income taxes and the exception of not recognising deferred tax if it arises from the initial recognition of an asset or a liability, and IFRS 17 regarding insurance contracts.

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

Notes

Note 1 Accounting policies – continued

of acquisition or of assets acquired, liabilities or contingent liabilities assumed subsequently proves to have been incorrect on initial recognition, the determination will be adjusted retroactively, including goodwill, until 12 months after the acquisition and comparative figures are restated. After such time the pre-acquisition balance sheet will not be adjusted. Changes in estimates of contingent costs of acquisition are recognised in profit for the year.

Entities disposed of are consolidated until the transfer date.

Foreign currency translation

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

Offsetting

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

Income criteria

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

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

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

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

Fees covered by 2 and 3 above are recognised as income when the service has been supplied and when the 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 which

Note 1 Accounting policies – continued

form part of the trading portfolio, and financial assets for which the contractual cash flows of the financial assets do not solely consist of payments of principal and interest on the amount outstanding.

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

Assessment of business model

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

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

In connection with renegotiation the Group does not transfer exposures back to stage 1 regardless of whether the contractual cash flows are renegotiated to a level reflecting client risk. In this connection an exposure is regarded as a new exposure and consequently renegotiation will not result in recognition of gains or losses.

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

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

The expected credit loss over the life of the financial asset covers the expected remaining life of the facility. For most facilities the expected life is limited to the remaining contractual term. For facilities consisting of a loan as well as an undrawn loan commitment and for which a contractual right to demand early repayment and cancellation of the undrawn loan commitment exists, the Group's exposure to credit losses is not limited to

Note 1 Accounting policies – continued

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 customer is in default if at least one of the following events has occurred:

- A write-off has been recorded as regards the customer
- The customer has at least one non-accrual credit facility
- An impairment charge/provision has been registered in connection with the customer and a loss must be regarded as the most likely
- The exposure is being treated as non-performing

- The exposure has been significantly overdrawn for more than 90 consecutive days
- Distressed restructuring has been granted

Exposures in default are classified as stage 3.

Collateral

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

Write-off policy

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

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

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

Leases (lessor)

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

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

Leases (lessee)

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

Notes

Note 1 Accounting policies – continued

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 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 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

Note 1 Accounting policies – continued

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 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.

Notes

Note 1 Accounting policies – continued

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 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

Note 1 Accounting policies – continued

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

Core earnings before impairment

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

Impairment of loans and advances etc

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

Core earnings

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

Notes

Note 1 Accounting policies – continued

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 2023 financial statements.

These include amendments to IAS 1 regarding the classification of liabilities as current or non-current and information about supplier finance arrangements, amendments to IFRS 16 regarding sale and leaseback transactions with variable lease payments, and an amendment to IAS 21 regarding currencies that lack exchangeability.

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 are 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-2023-12-31-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 2023 the probability of the downturn scenario was fixed at 95%, which is unchanged compared with 31 December 2022.

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 2022 the management estimate to hedge macroeconomic uncertainty represented DKK 500m. The management estimate represented DKK 400m as regards corporate clients and DKK 100m as regards retail clients.

At 31 December 2023 the management estimate to hedge macroeconomic uncertainty still represented DKK 500m. The management estimate represented 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 geopolitical tension, a higher interest rate environment 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 49% of the Group's assets at the end of 2023.

Provisions for financial guarantees and undrawn credit commitments issued in connection with customer 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.

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.

Note 2 Accounting estimates and judgements – continued

- 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 2,338m, equivalent to 1.3% of the Group's assets at the end of 2023.

Notes

Note 3 Solvency

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

Credit risk outside trading portfolio, retail clients	A-IRB
Credit risk outside trading portfolio, corporate clients	A-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	
	2023	2022
CET1 ratio	18.9	17.3
T1 capital ratio	20.1	18.6
Capital ratio	21.1	19.6
Total capital		
Equity, shareholders of Sydbank A/S	14,950	13,185
Capital deduction – prudent valuation	(82)	(70)
Actual or contingent obligations to purchase own shares	(9)	(9)
Proposed dividend	(1,686)	(959)
Intangible assets and capitalised deferred tax assets	(267)	(302)
Significant investments in the financial sector	(1,189)	(1,387)
Transitional arrangement IFRS 9	-	42
Insufficient coverage for non-performing exposures	(46)	(16)
CET1 capital	11,671	10,484
AT1 capital – equity	745	744
T1 capital	12,416	11,227
T2 capital	559	557
Instruments in entities in the financial sector in which the institution has significant investments	(146)	(156)
Difference between expected losses and impairment for accounting purposes	227	234
Total capital	13,056	11,863

Note 3 Solvency – continued**Sydbank Group**

DKKm	2023	2022
Credit risk	39,187	41,018
Market risk	6,047	5,363
Operational risk	10,250	8,137
Other exposures, incl CVA	6,412	5,954
REA	61,896	60,472
Pillar I capital requirement (8%)	4,952	4,838

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

	2023	2022	2023	2022
Leverage ratio exposures				
Total assets	185,101	179,318	187,213	181,309
Of which pooled assets	(22,903)	(20,597)	(22,903)	(20,597)
Correction derivatives etc	5,161	968	5,161	968
Guarantees etc	15,521	15,949	15,521	15,949
Undrawn credit commitments etc	11,832	11,733	11,832	11,748
Other adjustments	(2,603)	(2,280)	(2,584)	(2,273)
Total	192,109	185,091	194,240	187,104
T1 capital – current (transitional rules)	12,416	11,227	12,416	11,227
T1 capital – fully loaded	12,416	11,185	12,416	11,185
Leverage ratio (%) – current (transitional rules)	6.5	6.1	6.4	6.0
Leverage ratio (%) – fully loaded	6.5	6.0	6.4	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 its market price. 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 2023						
Core income*	6,614	345	112	-	-	7,071
Trading income	-	-	275	-	-	275
Total income	6,614	345	387	-	-	7,346
Costs, core earnings	2,765	127	168	-	76	3,136
Impairment of loans and advances etc	(27)	-	-	-	-	(27)
Core earnings	3,876	218	219	-	(76)	4,237
Investment portfolio earnings	(11)	-	-	99	-	88
Profit before non-recurring items	3,865	218	219	99	(76)	4,325
Non-recurring items, net	(44)	-	-	-	-	(44)
Profit before tax	3,821	218	219	99	(76)	4,281
Depreciation and impairment of property, plant and equipment	128	3	7	-	1	139
Full-time staff at 31 Dec	1,867	40	98	4	20	2,029
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

* 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	2023		2022	
	Total income	Assets	Total income	Assets
Geographical segments				
Denmark	7,000	1,706	5,233	1,751
Abroad	346	49	245	54
Total	7,346	1,755	5,478	1,805

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	Investment portfolio earnings		Non-recurring items, net	Profit before tax
					Core earnings	Investment portfolio earnings		
2023								
Net interest and fee income	6,553	174			6,726	(54)		6,672
Market value adjustments	487	101		0	588	149		737
Other operating income	24				24			24
Income	7,064	275	-	0	7,338	95	-	7,433
Staff costs and administrative expenses			(2,973)		(2,973)	(7)	(44)	(3,024)
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment			(139)		(139)			(139)
Other operating expenses			(23)		(23)			(23)
Impairment of loans and advances etc				27	27			27
Profit/(Loss) on holdings in associates and subsidiaries	7				7			7
Profit before tax	7,071	275	(3,136)	27	4,237	88	(44)	4,281
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

Notes

Note 7 Interest income

DKKm	Sydbank Group		Sydbank A/S	
	2023	2022	2023	2022
Interest income calculated using the effective interest method				
Amounts owed by credit institutions and central banks	926	121	926	83
Loans and advances and other amounts owed	3,994	2,166	4,004	2,172
Other interest income	1	1	1	1
Interest on amounts owed to credit institutions*	-	4	-	4
Interest on deposits*	-	354	-	354
Total	4,921	2,646	4,931	2,614
Other interest income				
Reverse transactions with credit institutions and central banks	92	-	92	-
Reverse loans and advances	370	-	370	-
Repo transactions with credit institutions and central banks and repo deposits*	-	2	-	2
Bonds	675	133	675	133
Total derivatives	103	251	103	251
comprising:				
Foreign exchange contracts	66	45	66	45
Interest rate contracts	37	206	37	206
Total	1,240	386	1,240	386
* Negative interest expense				
Total interest income	6,161	3,032	6,171	3,000
Fair value, designated at initial recognition	462	2	462	2
Fair value, held for trading	778	384	778	384
Assets recognised at amortised cost	4,921	2,646	4,931	2,614
Total	6,161	3,032	6,171	3,000

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

DKKm	Sydbank Group		Sydbank A/S	
	2023	2022	2023	2022
Repo transactions with credit institutions and central banks	100	-	100	-
Reverse transactions with credit institutions and central banks and reverse loans and advances*	0	14	0	14
Amounts owed to credit institutions and central banks	52	9	52	9
Repo deposits	55	-	55	-
Deposits and other debt	1,053	162	1,215	165
Bonds*	-	3	-	3
Bonds issued	386	166	386	166
Interest on amounts owed by credit institutions and central banks*	-	55	-	17
Subordinated capital	46	22	46	22
Other interest expense	2	2	2	2
Total	1,694	433	1,856	398
* Negative interest income				
Fair value, designated at initial recognition	155	14	155	14
Fair value, held for trading	-	3	-	3
Liabilities recognised at amortised cost	1,539	416	1,701	381
Total	1,694	433	1,856	398

Note 9 Dividends on shares

Fair value, designated at initial recognition (FVPL)	20	30	20	29
Fair value, held for trading	-	-	11	13
Total	20	30	31	42

Note 10 Fee and commission income

Securities trading and custody accounts	788	823	637	699
Advisory fee, asset management	357	365	357	365
Payment services	381	347	381	347
Loan fees	206	266	206	266
Guarantee commission	176	183	176	183
Income concerning funded mortgage-like loans	12	63	12	63
Other fees and commission	574	624	574	624
Total fee and commission income	2,494	2,671	2,343	2,547
Fee expense, asset management	12	14	12	14
Other fee and commission expense	297	305	248	280
Total fee and commission expense	309	319	260	294
Net fee and commission income	2,185	2,352	2,083	2,253

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 (2022: DKK 8m) 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	
	2023	2022	2023	2022
Other loans and advances and amounts owed at fair value	37	106	37	106
Bonds	329	(391)	329	(391)
Shares etc	238	122	279	163
Foreign exchange	268	243	268	243
Derivatives	(134)	306	(134)	306
Assets related to pooled plans	1,877	(2,954)	1,877	(2,954)
Deposits in pooled plans	(1,877)	2,954	(1,877)	2,954
Other assets/liabilities	(1)	0	(1)	0
Total	737	386	778	427
Fair value, held for trading, trading portfolio	528	272	528	272
Fair value, designated at initial recognition, equity investments (FVPL)	209	114	250	155
Total	737	386	778	427

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 estate	14	14	14	14
Other operating income	10	10	11	11
Total	24	24	25	25

Note 13 Staff costs and administrative expenses DKKm	Sydbank Group		Sydbank A/S	
	2023	2022	2023	2022
Salaries and remuneration				
Group Executive Management	48	23	48	23
Board of Directors	8	7	8	7
Shareholders' Committee	4	3	4	3
Total	60	33	60	33
Staff costs				
Wages and salaries	1,437	1,373	1,395	1,333
Pensions	157	151	152	147
Social security contributions	8	12	8	11
Payroll tax	201	187	194	181
Total	1,803	1,723	1,749	1,672
Other administrative expenses				
IT	798	837	787	827
Rent etc	112	102	126	98
Marketing and entertainment expenses	101	88	88	76
Other costs	150	148	154	165
Total	1,161	1,175	1,155	1,166
Total	3,024	2,931	2,964	2,871
Audit fees				
Statutory audit	2.4	2.4	2.4	2.4
Other assurance engagements	0.4	0.3	0.4	0.3
Tax consultancy	0.4	0.5	0.4	0.5
Fees for other services	0.9	0.6	0.9	0.6
Total	4.1	3.8	4.1	3.8

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.

In addition to fees paid to the independent auditor, operating expenses have been incurred as regards the Group's Internal Audit.

Staff

Average number of staff (full-time equivalent)	2,076	2,072	2,008	2,004
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Notes

Note 13 Staff costs and administrative expenses – continued

DKK thousand	Sydbank Group		Sydbank A/S	
	2023	2022	2023	2022
Directors' remuneration				
Directors' remuneration	5,899	5,434	5,899	5,434
Committee fees*	1,816	1,759	1,816	1,759
Total	7,715	7,193	7,715	7,193

* Of which:

Audit Committee	482	467	482	467
Risk Committee	482	467	482	467
Remuneration Committee	185	179	185	179
Nomination Committee	286	277	286	277
Digitization Committee	381	369	381	369

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	
	2023	2022	2023	2022
Remuneration of the Group Executive Management				
Fixed remuneration	20.4	18.3	20.4	18.3
Variable remuneration	0.0	0.0	0.0	0.0
Benefits in the form of company car etc	0.7	0.8	0.7	0.8
Severance pay etc*	27.1	4.1	27.1	4.1
Of which fees received in connection with directorships	(0.6)	(0.6)	(0.6)	(0.6)
Group costs	47.6	22.6	47.6	22.6

* The item includes severance pay etc as regards the deputy group chief executive who has resigned as well as expected severance pay in connection with the resignation of the CEO in July 2024.

Details about remuneration for members of the Board of Directors and the Group Executive Management for 2023 are available at the Bank's website sydbank.com.

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, Jørn Adam Møller, Stig Westergaard and Bjarne Larsen (resigned December 2023)

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.

The Bank's remuneration policy is available at the Bank's website sydbank.com/about-sydbank/corporate-governance.

Note 13 Staff costs and administrative expenses – continued DKK m	Sydbank Group		Sydbank A/S	
	2023	2022	2023	2022
Remuneration to material risk takers				
Fixed remuneration	45.2	44.6	43.2	42.8
Variable remuneration	0.0	0.0	0.0	0.0
Total	45.2	44.6	43.2	42.8
Number of full-time staff (average)	27.0	27.2	26.0	26.2
Remuneration to material control functions				
Fixed remuneration	16.5	15.8	16.5	15.8
Variable remuneration	0.0	0.0	0.0	0.0
Total	16.5	15.8	16.5	15.8
Number of full-time staff (average)	13.0	12.6	13.0	12.6

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, 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	46	25	46	25
Write-offs	29	19	29	19
Recovered from debt previously written off	102	140	102	140
Impairment of loans and advances etc	(27)	(96)	(27)	(96)

Impairment and provisions at 31 Dec (allowance account)

Stage 1	133	133	133	133
Stage 2	608	628	608	628
Stage 3	658	668	954	891
Management estimates	500	500	500	500
Impairment and provisions at 31 Dec	1,899	1,929	2,195	2,152

Impairment and provisions

Impairment and provisions at 1 Jan	1,929	1,974	2,152	2,129
New impairment charges and provisions during the period, net	19	(16)	92	52
Impairment charges previously recorded, now finally written off	49	29	49	29
Impairment and provisions at 31 Dec	1,899	1,929	2,195	2,152

Impairment charges for loans and advances	1,738	1,740	2,034	1,963
Provisions for undrawn credit commitments	67	73	67	73
Provisions for guarantees	94	116	94	116
Impairment and provisions at 31 Dec	1,899	1,929	2,195	2,152

Loans and advances recognised as a loss for the year where a legal claim has been upheld represented DKK 35m at year-end 2023 (2022: DKK 37m).

Notes

Note 15 Profit/(Loss) on holdings in associates and subsidiaries DKKm	Sydbank Group		Sydbank A/S	
	2023	2022	2023	2022
Profit/(Loss) on holdings in associates etc	7	8	7	8
Profit/(Loss) on holdings in subsidiaries	-	-	178	23
Total	7	8	185	31

Note 16 Tax

Tax calculated on income for the year	663	455	661	461
Deferred tax	341	37	345	40
Adjustment of prior year tax charges	(65)	12	(65)	12
Total	939	504	941	513
Of which tax in Germany	64	25	64	25

Effective tax rate

Current tax rate of Sydbank	25.2	22.0	25.2	22.0
Permanent differences	(1.8)	(1.5)	(1.9)	(1.6)
Adjustment of prior year tax charges and deferred taxes	(1.5)	0.5	(1.5)	0.5
Effective tax rate	21.9	21.0	21.8	20.9
Of which effective tax rate in Germany	30.7	30.8	30.7	30.8

Deferred tax

Deferred tax at 1 Jan	(4)	196	(8)	189
Deferred tax for the year recognised in profit for the year	(90)	(200)	(86)	(197)
Deferred tax for the year recognised directly in equity	0	0	0	0
Deferred tax at 31 Dec, net	(94)	(4)	(94)	(8)
Deferred tax assets	94	8	94	11
Deferred tax liabilities	-	4	-	3
Deferred tax at 31 Dec, net	(94)	(4)	(94)	(8)

Note 16 Tax - continued

Sydbank Group

DKKm	2023				2022			
	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)	66	(141)	-	(75)	200	(134)	-	66
Shares	0	0	-	0	0	0	-	0
Land and buildings	4	0	-	4	3	1	-	4
Property, plant and equipment	(26)	1	-	(25)	(23)	(3)	-	(26)
Intangible assets	64	(3)	-	61	59	5	-	64
Other assets	(64)	56	-	(8)	(5)	(59)	-	(64)
Provisions	(1)	(1)	-	(2)	(1)	0	-	(1)
Other liabilities	(44)	(2)	-	(46)	(34)	(10)	-	(44)
Capitalised losses, jointly taxed income	0	0	-	0	0	0	-	0
AT1 capital	(3)	0	0	(3)	(3)	0	0	(3)
Deferred tax at 31 Dec, net	(4)	(90)	0	(94)	196	(200)	0	(4)

In compliance with the Bank's tax policy Sydbank uses tax incentives where the Bank's conduct is in line with the wishes of the Danish Parliament. In 2023 the following tax incentives were used:

- Depreciation of operating equipment based on a higher depreciable amount in accordance with section 5 D of the Danish Act on Amortisation and Depreciation.

The Sydbank Group is subject to the OECD Pillar II minimum taxation. The Pillar II legislation was adopted in Denmark in December 2023 and will enter into force as from 1 January 2024. Pillar II was not in force on the reporting date at year-end 2023 and consequently the Group has no current tax exposure. The Group uses the exception to recognise and disclose information on deferred tax assets and liabilities related to Pillar II income taxes as provided for in the amendments to IAS 12 issued in May 2023.

The Sydbank Group has performed an overall assessment of the potential exposure as regards Pillar II income taxes. Based on this assessment the effective tax rates exceed 15% in all the jurisdictions in which the Group operates. Therefore no significant exposure as regards Pillar II taxes is expected. The Group will continue to assess the impact of the Pillar II legislation on its future financial results.

Note 17 Amounts owed by credit institutions and central banks

Sydbank Group

Sydbank A/S

DKKm	2023	2022	2023	2022
Amounts owed at notice by central banks	14,006	18,591	14,006	18,591
Amounts owed by credit institutions	4,256	3,368	4,256	3,368
Total	18,262	21,959	18,262	21,959
On demand	382	639	382	639
3 months or less	17,880	21,320	17,880	21,320
Total	18,262	21,959	18,262	21,959
Of which reverse transactions	3,874	2,891	3,874	2,891

Notes

Note 18 Loans and advances

DKKm	Sydbank Group		Sydbank A/S	
	2023	2022	2023	2022
On demand	20,690	21,485	20,999	21,786
3 months or less	17,879	11,806	17,879	11,806
Over 3 months not exceeding 1 year	29,189	27,818	29,364	27,818
Over 1 year not exceeding 5 years	14,769	14,341	14,769	14,517
Over 5 years	8,751	8,973	8,751	8,973
Total	91,278	84,423	91,762	84,900
Loans and advances at fair value – reverse transactions	16,743	10,490	16,743	10,490
Loans and advances at amortised cost – bank loans and advances	74,535	73,933	75,019	74,410
Total	91,278	84,423	91,762	84,900

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

Building and construction	4.0	4.2	4.1	4.3
Energy supply etc	4.9	4.5	4.8	4.5
Real estate	8.2	7.0	8.2	7.0
Finance and insurance	23.9	18.2	23.8	18.2
Trade	15.6	17.2	15.7	17.3
Hotels and restaurants	0.3	0.1	0.3	0.1
Manufacturing and extraction of raw materials	8.0	9.5	8.0	9.4
Information and communication	0.4	0.3	0.4	0.3
Agriculture, hunting, forestry and fisheries	3.6	3.6	3.7	3.7
Transportation	2.5	2.6	2.5	2.6
Other industries	9.7	10.8	9.7	10.7
Total corporate	81.1	78.0	81.2	78.1
Public authorities	0.0	0.1	0.0	0.1
Retail	18.9	21.9	18.8	21.8
Total	100.0	100.0	100.0	100.0

Collateral received and types of collateral

Loans and advances at fair value	16,743	10,490	16,743	10,490
Loans and advances at amortised cost	74,535	73,933	75,019	74,410
Guarantees	15,521	15,949	15,521	15,949
Credit exposure for accounting purposes	106,799	100,372	107,283	100,849
Collateral value	63,209	57,739	63,209	57,739
Total unsecured	43,590	42,633	44,074	43,110

Types of collateral

Real estate	12,542	11,659	12,542	11,659
Financial collateral	23,220	17,311	23,220	17,311
Lease assets, mortgages etc	7,138	6,899	7,138	6,899
Floating charges, operating equipment etc	10,222	10,141	10,222	10,141
Guarantees	2,036	2,661	2,036	2,661
Other items of collateral	101	119	101	119
Total collateral used	55,259	48,790	55,259	48,790
Particularly secured transactions (mortgage guarantees)	7,950	8,949	7,950	8,949
Total	63,209	57,739	63,209	57,739

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 2023 repossessed equipment in connection with non-performing exposures amounted to DKK 11m (2022: DKK 47m). 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	2023				2022			
	Loans/ advances	Guaran- tees	Collateral value	Un- secured	Loans/ advances	Guaran- tees	Collateral value	Un- secured
Collateral by rating category								
Rating category								
1	18,124	4,114	17,410	4,828	13,803	4,720	15,208	3,315
2	22,098	5,388	10,743	16,743	24,424	5,361	12,711	17,074
3	21,320	2,215	17,265	6,270	15,634	2,143	11,355	6,422
4	14,961	1,585	8,030	8,516	17,366	1,639	8,085	10,920
5	8,482	949	4,609	4,822	6,219	794	3,819	3,194
6	2,159	162	1,453	868	2,115	161	1,490	786
7	1,843	309	1,202	950	1,695	114	1,089	720
8	380	47	316	111	505	66	405	166
9	1,258	162	983	437	1,384	164	1,017	531
Default	1,138	110	177	1,071	1,186	161	299	1,048
NR/STD	1,253	480	1,021	712	1,832	626	2,261	197
Total	93,016	15,521	63,209	45,328	86,163	15,949	57,739	44,373
Impairment of loans and advances	1,738			1,738	1,740			1,740
Total	91,278	15,521	63,209	43,590	84,423	15,949	57,739	42,633
Stage 1	83,073	14,561	58,062	39,572	77,621	15,018	53,202	39,437
Stage 2	7,650	814	5,081	3,383	6,151	731	4,398	2,484
Stage 3	443	146	66	523	510	200	139	571
Credit impaired at initial recognition	112			112	141			141
Total	91,278	15,521	63,209	43,590	84,423	15,949	57,739	42,633

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	2023			2022			
	Retail	Corporate	Total	Retail	Corporate	Total	
Past due amounts but not impaired*							
0-30 days		52	95	147	56	85	141
31-60 days		0	0	0	1	0	1
61-90 days		0	0	0	2	0	2
Total		52	95	147	59	85	144
Rating category							
1		16	12	28	20	3	23
2		8	13	21	12	8	20
3		8	18	26	11	10	21
4		4	17	21	4	35	39
5		4	25	29	3	12	15
6		1	2	3	1	7	8
7		1	4	5	2	4	6
8		10	1	11	3	1	4
9		0	3	3	3	3	6
NR/STD		0	0	0	0	2	2
Total		52	95	147	59	85	144

* 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					2023	2022
	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	66,698	8,325	1,138	112	76,273	75,673
Guarantees	14,561	814	146		15,521	15,949
Total loans and advances and guarantees	81,259	9,139	1,284	112	91,794	91,622
%	88.5	10.0	1.4	0.1	100.0	100.0
Impairment charges for loans and advances	368	675	695		1,738	1,740
Provisions for undrawn credit commitments	23	31	13		67	73
Provisions for guarantees*	9	34	51		94	116
Total allowance account	400	740	759	-	1,899	1,929
Allowance account at 1 Jan	400	757	772		1,929	1,974
New impairment charges and provisions during the period, net		(17)	36		19	(16)
Impairment charges previously recorded, now finally written off			49		49	29
Total allowance account at 31 Dec	400	740	759	-	1,899	1,929
Impairment charges as % of loans and advances	0.6	8.1	61.1		2.3	2.3
Provisions as % of guarantees	0.1	4.2	34.9		0.6	0.7
Allowance account as % of loans and advances and guarantees	0.5	8.1	59.1		2.1	2.1
Loans and advances before impairment charges	66,698	8,325	1,138	112	76,273	75,673
Impairment charges for loans and advances	368	675	695		1,738	1,740
Loans and advances after impairment charges	66,330	7,650	443	112	74,535	73,933
%	89.0	10.3	0.6	0.1	100.0	100.0

* Loans and advances before impairment charges recognised as credit impaired at initial recognition total DKK 287m.

The Group's models to calculate impairment charges as regards exposures in stages 1 and 2 include expectations as to business trends which are 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 2023 (2022: DKK 500m) to hedge macroeconomic uncertainty.

Note 18 Loans and advances – continued
Sydbank Group

DKKm	Loans/advances and guarantees		Impairment and provisions		Impairment charges for loans/advances etc for the period		Losses for the period	
	2023	2022	2023	2022	2023	2022	2023	2022
Building and construction	4,387	4,335	146	131	27	74	13	4
Energy supply etc	5,181	4,560	16	15	0	(7)	0	0
Real estate	8,821	7,112	59	91	(36)	3	3	0
Finance and insurance	8,855	7,997	127	114	9	(47)	0	1
Trade	17,155	17,637	488	420	130	65	23	3
Hotels and restaurants	391	348	67	56	8	1	1	0
Manufacturing and extraction of raw materials	8,769	9,523	246	252	(6)	60	4	3
Information and communication	473	503	32	14	17	6	0	0
Agriculture, hunting, forestry and fisheries	4,004	3,597	189	238	(85)	(48)	14	6
Transportation	2,694	2,680	25	32	(5)	(5)	1	1
Other industries	10,525	10,935	143	148	(2)	(45)	5	1
Total corporate	71,255	69,227	1,538	1,511	57	57	64	19
Public authorities	36	74						
Retail	20,503	22,321	361	418	(84)	(153)	14	29
Total	91,794	91,622	1,899	1,929	(27)	(96)	78	48
Building and construction								
Completion of building projects	630	480	3	4	(1)	0	0	0
Building and construction activities, specialised	1,812	1,856	111	88	34	66	13	3
Construction of buildings	890	1,491	30	36	(6)	13	0	1
Other building and construction	1,055	508	2	3	0	(5)	0	0
Total	4,387	4,335	146	131	27	74	13	4
Real estate								
Non-profit housing associations	4,328	2,352	2	8	(5)	(8)	0	0
Leasing of commercial property	2,555	3,035	38	44	(10)	(8)	3	0
Leasing of residential property	789	524	5	6	(1)	(1)	0	0
Other related to real estate	1,149	1,201	14	33	(20)	20	0	0
Total	8,821	7,112	59	91	(36)	3	3	0
Finance and insurance								
Holding companies	5,123	4,922	82	75	7	(23)	0	0
Financing companies	3,732	3,075	45	39	2	(24)	0	1
Total	8,855	7,997	127	114	9	(47)	0	1

Notes

Note 18 Loans and advances – continued

Sydbank Group

DKKm	Loans/advances and guarantees		Impairment and provisions		Impairment charges for loans/advances etc for the period		Losses for the period	
	2023	2022	2023	2022	2023	2022	2023	2022
Trade								
Retail	1,842	1,539	52	37	15	10	3	1
Trade, passenger cars and motorcycles	3,188	2,900	70	61	8	11	0	0
Wholesale, other machinery	1,808	1,403	30	25	3	(1)	0	1
Wholesale, food, beverages and tobacco	1,982	1,906	39	28	11	12	0	0
Wholesale, household durables	3,579	3,818	210	200	5	27	10	1
Wholesale, agricultural raw materials and live animals	1,405	1,612	34	10	24	0	0	0
Other specialised wholesale	2,237	2,958	30	33	71	(4)	9	0
Other trade	1,114	1,501	23	26	(7)	10	1	0
Total	17,155	17,637	488	420	130	65	23	3
Manufacturing and extraction of raw materials								
Extraction of raw materials	213	311	2	4	(1)	1	0	0
Manufacture of textiles and clothing	772	1,084	7	9	(2)	4	0	0
Manufacture and repair of machinery and equipment	1,635	1,501	32	33	0	11	0	0
Manufacture of food products	1,920	2,396	59	54	5	14	4	0
Manufacture of fabricated metal products, excl machinery and equipment	1,356	1,332	69	91	(23)	2	0	1
Other manufacturing	2,873	2,899	77	61	15	28	0	2
Total	8,769	9,523	246	252	(6)	60	4	3
Agriculture, hunting, forestry and fisheries								
Pig farming	729	374	24	40	(21)	(52)	1	1
Cattle farming	1,127	1,273	59	69	(34)	(6)	0	1
Crop production	1,220	948	53	63	(25)	(59)	2	3
Other agriculture	928	1,002	53	66	(5)	69	11	1
Total	4,004	3,597	189	238	(85)	(48)	14	6
Transportation								
Land transport	1,029	1,063	16	24	(6)	7	1	1
Water transport	438	481	0	0	0	(5)	0	0
Air transport	268	257	3	2	0	(2)	0	0
Other transportation	959	879	6	6	1	(5)	0	0
Total	2,694	2,680	25	32	(5)	(5)	1	1
Other industries								
Rental and leasing activities	4,319	3,805	23	22	1	(5)	0	0
Activities of head offices	2,022	2,181	13	15	(4)	(6)	0	0
Liberal professions	1,471	1,731	39	35	5	(6)	5	1
Other industries	2,713	3,218	68	76	(4)	(28)	0	0
Total	10,525	10,935	143	148	(2)	(45)	5	1

Note 18 Loans and advances – continued

Sydbank Group

DKKm					2023	2022
	Stage 1	Stage 2	Stage 3	Credit impaired at initial recognition	Total	Total
Loans and advances before impairment charges						
Rating category						
1	11,980	1			11,981	10,094
2	22,097				22,097	22,419
3	10,748	3			10,751	10,858
4	13,846	1,085			14,931	17,366
5	5,792	2,690			8,482	6,219
6	963	1,196			2,159	2,115
7	141	1,702			1,843	1,695
8	11	369			380	505
9		1,258			1,258	1,384
Default			1,138		1,138	1,186
NR/STD	1,120	21		112	1,253	1,832
Total	66,698	8,325	1,138	112	76,273	75,673

Impairment of loans and advances

Rating category						
1		2			2	1
2		17			17	17
3		80			80	80
4		89	17		106	110
5		85	57		142	133
6		64	43		107	102
7		19	82		101	104
8		1	42		43	45
9			427		427	445
Default			695		695	649
NR/STD	11	7			18	54
Total	368	675	695	-	1,738	1,740

Loans and advances after impairment charges

Rating category						
1	11,978	1			11,979	10,093
2	22,080				22,080	22,402
3	10,668	3			10,671	10,778
4	13,757	1,068			14,825	17,256
5	5,707	2,633			8,340	6,086
6	899	1,153			2,052	2,013
7	122	1,620			1,742	1,591
8	10	327			337	460
9		831			831	939
Default			443		443	537
NR/STD	1,109	14		112	1,235	1,778
Total	66,330	7,650	443	112	74,535	73,933

Notes

Note 18 Loans and advances – continued

Sydbank Group

DKKm				Credit impaired at initial recognition	2023	2022
	Stage 1	Stage 2	Stage 3		Total	Total
Loans and advances before impairment charges						
1 Jan	67,502	6,844	1,186	141	75,673	68,871
Transfers between stages						
Transfers to stage 1	1,967	(1,915)	(52)		-	-
Transfers to stage 2	(4,104)	4,184	(80)		-	-
Transfers to stage 3	(185)	(226)	411		-	-
New exposures	15,507	1,153	165		16,825	19,126
Final repayments	(13,012)	(1,271)	(268)		(14,551)	(12,758)
Changes in balances	(977)	(444)	(146)	(29)	(1,596)	480
Write-offs			(78)		(78)	(46)
31 Dec	66,698	8,325	1,138	112	76,273	75,673
Impairment of loans and advances						
1 Jan	371	693	676	-	1,740	1,830
Transfers between stages						
Transfers to stage 1	141	(119)	(22)		-	-
Transfers to stage 2	(48)	85	(37)		-	-
Transfers to stage 3	(6)	(51)	57		-	-
New exposures	81	75	40		196	276
Final repayments	(52)	(116)	(89)		(257)	(530)
Changes in balances	(119)	108	119		108	193
Write-offs			(49)		(49)	(29)
31 Dec	368	675	695	-	1,738	1,740
Loans and advances after impairment charges						
1 Jan	67,131	6,151	510	141	73,933	67,041
Transfers between stages						
Transfers to stage 1	1,826	(1,796)	(30)		-	-
Transfers to stage 2	(4,056)	4,099	(43)		-	-
Transfers to stage 3	(179)	(175)	354		-	-
New exposures	15,426	1,078	125		16,629	18,850
Final repayments	(12,960)	(1,155)	(179)		(14,294)	(12,228)
Changes in balances	(858)	(552)	(265)	(29)	(1,704)	287
Write-offs			(29)		(29)	(17)
31 Dec	66,330	7,650	443	112	74,535	73,933

Note 18 Loans and advances – continued

Sydbank Group

DKKm	2023				2022			
	Loans/ advances neither credit impaired nor past due	Loans/ advances with evi- dence of credit impairment	Past due loans/ advances	Loans/ advances	Loans/ advances neither credit impaired nor past due	Loans/ advances with evi- dence of credit impair- ment	Past due loans/ advances	Loans/ advances
Rating category								
1	18,096		28	18,124	13,780		23	13,803
2	22,077		21	22,098	24,404		20	24,424
3	21,294		26	21,320	15,613		21	15,634
4	14,940		21	14,961	17,327		39	17,366
5	8,453		29	8,482	6,204		15	6,219
6	2,156		3	2,159	2,107		8	2,115
7	1,838		5	1,843	1,689		6	1,695
8	369		11	380	501		4	505
9	251	1,004	3	1,258	233	1,145	6	1,384
Default	-	1,138	-	1,138	0	1,186	0	1,186
NR/STD	1,125	128	-	1,253	1,661	169	2	1,832
Total	90,599	2,270	147	93,016	83,519	2,500	144	86,163
Impairment charges	873	865	0	1,738	862	878	0	1,740
Total	89,726	1,405	147	91,278	82,657	1,622	144	84,423

Sydbank Group

DKKm	2023			2022		
	Gross investment	Unearned interest	Net investment	Gross investment	Unearned interest	Net investment
Lease payment receivables – finance leases						
1 year or less	2,583	236	2,347	2,327	199	2,128
Over 1 year not exceeding 5 years	6,243	824	5,419	5,448	382	5,066
Over 5 years	1,039	39	1,000	822	44	778
Total	9,865	1,099	8,766	8,597	625	7,972

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 9,865m at year-end 2023 (2022: DKK 7,972m). Impairment charges for uncollectible lease payment receivables represented DKK 0m in 2023 (2022: DKK 0m).

Notes

Note 18 Loans and advances – continued

Sydbank Group

DKKm	2023			2022		
	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	35	0	35	29	1	28
Stage 2	36	12	24	76	24	52
Stage 3	407	228	179	385	221	164
Total	478	240	238	490	246	244
Credit impaired non-defaulted loans and advances and guarantees						
	64	9	55	98	22	76
Credit impaired defaulted loans and advances and guarantees						
	414	231	183	392	224	168
Total	478	240	238	490	246	244
Due to financial difficulties:						
- Interest rates have been reduced	152	105	47	185	123	62
- Interest-only terms have been granted	132	57	75	162	76	86
- Other special terms have been granted	194	78	116	143	47	96
Total	478	240	238	490	246	244

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
2023					
Credit impaired loans and advances					
Corporate	1,089	542	547	511	36
Retail	161	83	78	110	(32)
Total	1,250	625	625	621	4
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)

Note 19 Bonds at fair value DKKm	Sydbank Group		Sydbank A/S	
	2023	2022	2023	2022
Government bonds	852	622	852	622
Mortgage bonds	32,117	28,468	32,117	28,468
Other bonds	1,650	1,463	1,650	1,463
Total	34,619	30,553	34,619	30,553

Government bonds – by country

Denmark	377	330	377	330
Finland	475	-	475	-
Germany	-	292	-	292
Total	852	622	852	622

Note 20 Shares etc

Listed on Nasdaq Copenhagen A/S	658	626	658	626
Listed on other exchanges	0	0	0	0
Unlisted shares recognised at fair value	2,360	2,438	2,360	2,438
Total	3,018	3,064	3,018	3,064

Trading portfolio	94	159	94	159
Portfolio of equity investments, FVPL	2,378	2,414	2,378	2,414
Portfolio of equity investments, FVOCI	546	491	546	491
Total	3,018	3,064	3,018	3,064

Note 21 Holdings in associates etc

Carrying amount at 1 Jan	165	174	165	174
Of which credit institutions	-	-	-	-

Cost at 1 Jan	165	174	165	174
Additions	0	-	0	-
Disposals	2	9	2	9
Cost at 31 Dec	163	165	163	165

Revaluations and impairment charges at 1 Jan	0	0	0	0
Dividend	(7)	(8)	(7)	(8)
Share of profit	8	8	8	8
Reversal of revaluations and impairment charges	0	-	0	-
Revaluations and impairment charges at 31 Dec	1	0	1	0
Carrying amount at 31 Dec	164	165	164	165

Notes

Note 22 Holdings in subsidiaries etc	Sydbank A/S		
	DKKm	2023	2022
Carrying amount at 1 Jan		2,128	2,219
Cost at 1 Jan		2,346	2,385
Exchange rate adjustment		-	-
Additions		-	-
Disposals		-	39
Cost at 31 Dec		2,346	2,346
Revaluations and impairment charges at 1 Jan		(218)	(166)
Exchange rate adjustment		-	-
Profit/(Loss)		178	23
Dividend		(11)	(17)
Other capital movements		-	-
Reversal of revaluations and impairment charges		-	(58)
Revaluations and impairment charges at 31 Dec		(51)	(218)
Carrying amount at 31 Dec		2,295	2,128

Note 23 Assets related to pooled plans	Sydbank Group		Sydbank A/S		
	DKKm	2023	2022	2023	2022
Cash deposits		46	119	46	119
Other bonds		6,836	6,947	6,836	6,947
Other shares etc		8,153	7,185	8,153	7,185
Units		7,869	6,347	7,869	6,347
Other items		(1)	(1)	(1)	(1)
Total		22,903	20,597	22,903	20,597

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 2023 (2022: DKK 170m) and primarily concerned Banking. Goodwill is tested for impairment once a year.

The impairment test carried out in 2023 did not result in impairment of goodwill. The value of customer relationships represented DKK 158m at year-end 2023 (2022: DKK 193m).

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 2023 as follows:

- Profit for the year in 2023 represents DKK 3.3bn
- Earnings for the budget period are based on a budget for 2024 as approved by management
- Equity for 2023 is affected by dividend paid for 2022 of DKK 959m as well as a share buyback of DKK 600m
- The risk exposure amount is based on the 2023 estimate
- The discount rate (cost of equity) has been calculated at 11.8%
- 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 16.0% before tax and 11.8% after tax at year-end 2023 (2022: 14.1% before tax and 11.0% 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 2023.

An increase in the Group's risk-adjusted required rate of return from 11.8% 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.

Notes

Note 24 Intangible assets – continued

DKKm	Sydbank Group		Sydbank A/S	
	2023	2022	2023	2022
Carrying amount at 1 Jan	364	405	363	405
Cost at 1 Jan	615	615	609	610
Additions	-	1	-	0
Disposals	-	1	-	1
Cost at 31 Dec	615	615	609	609
Amortisation and impairment charges at 1 Jan	251	210	246	205
Amortisation and impairment charges for the year	35	41	35	41
Amortisation and impairment charges at 31 Dec	286	251	281	246
Carrying amount at 31 Dec	329	364	328	363

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

Note 25 Owner-occupied property

Carrying amount at 1 Jan	1,125	1,131	903	905
Exchange rate adjustment	0	0	0	0
Additions, including improvements	0	0	0	0
Disposals	0	6	0	6
Depreciation for the year	7	8	6	6
Value adjustment recognised directly in equity	(10)	12	(10)	12
Value adjustment recognised in the income statement	(13)	(4)	(17)	(2)
Carrying amount at 31 Dec	1,095	1,125	870	903
Required rate of return for calculation of fair value (%)*	4.25-11.0	4.0-11.0	4.25-11.0	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 78m (2022: DKK 80m).

Note 26 Other property, plant and equipment

DKKm	Sydbank Group		Sydbank A/S	
	2023	2022	2023	2022
Carrying amount at 1 Jan	48	53	48	53
Cost at 1 Jan	623	623	623	623
Exchange rate adjustment	0	0	0	0
Additions	77	43	77	42
Disposals	45	43	46	42
Cost at 31 Dec	655	623	654	623
Depreciation and impairment charges at 1 Jan	575	570	575	570
Exchange rate adjustment	0	0	0	0
Depreciation for the year	63	44	63	44
Reversal of depreciation and impairment charges	43	39	43	39
Depreciation and impairment charges at 31 Dec	595	575	595	575
Carrying amount at 31 Dec	60	48	59	48

Note 27 Other assets

Positive market value of derivatives etc	4,718	6,397	4,718	6,397
Sundry debtors	730	740	275	340
Interest and commission receivable	406	195	406	195
Cash collateral provided, CSA agreements etc	623	807	623	807
Other assets	1	0	1	0
Total	6,478	8,139	6,023	7,739

Note 28 Amounts owed to credit institutions and central banks

Amounts owed to central banks	10	10	10	10
Amounts owed to credit institutions	6,385	5,473	6,385	5,473
Total	6,395	5,483	6,395	5,483
On demand	2,524	2,467	2,524	2,467
3 months or less	3,871	3,016	3,871	3,016
Total	6,395	5,483	6,395	5,483
Of which repo transactions	3,485	2,868	3,485	2,868

Notes

Note 29 Deposits and other debt DKKm	Sydbank Group		Sydbank A/S	
	2023	2022	2023	2022
On demand	83,910	95,777	86,185	97,913
At notice	78	2,318	78	2,318
Time deposits	23,558	4,722	23,558	4,722
Special categories of deposits	4,105	4,684	4,105	4,684
Total	111,651	107,501	113,926	109,637
On demand	84,118	98,229	86,394	100,365
3 months or less	20,712	4,626	20,711	4,626
Over 3 months not exceeding 1 year	3,031	622	3,031	622
Over 1 year not exceeding 5 years	753	429	753	429
Over 5 years	3,037	3,595	3,037	3,595
Total	111,651	107,501	113,926	109,637
Of which repo transactions	3,299	1,106	3,299	1,106
Of which secured lending	-	-	-	-

Note 30 Bonds issued at amortised cost

Over 3 months not exceeding 1 year	-	3,714	-	3,714
Over 1 year not exceeding 5 years	11,161	9,528	11,161	9,528
Total	11,161	13,242	11,161	13,242

Note 31 Other liabilities

Negative market value of derivatives etc	4,588	6,147	4,588	6,147
Sundry creditors	4,719	5,484	4,595	5,380
Negative portfolio, reverse transactions	5,950	4,721	5,950	4,721
Interest and commission etc	224	190	224	190
Cash collateral received, CSA agreements etc	425	638	425	638
Total	15,906	17,180	15,782	17,076

Note 32 Provisions

Provisions for pensions and similar obligations	2	2	2	2
Provisions for deferred tax	-	4	-	3
Provisions for guarantees	94	116	94	116
Other provisions	70	75	70	74
Total	166	197	166	195

Note 32 Provisions – continued
Sydbank Group

DKKm						2023
	Provisions for pensions and similar obligations	Provisions for deferred tax	Provisions for guarantees	Other provisions	Total provisions	
Carrying amount at 1 Jan	2	4	116	75	197	
Additions	-	-	31	40	71	
Disposals	0	4	53	45	102	
Carrying amount at 31 Dec	2	-	94	70	166	

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

Note 33 Subordinated capital
Sydbank Group
Sydbank A/S

DKKm	Note				2023	2022	2023	2022
Interest rate		Nominal (m)	Maturity					
5.565 (floating)	1	Bond loan	EUR 75	2 Nov 2029	559	557	559	557
3.259 (floating)	2	Bond loan	EUR 75	Perpetual	559	558	559	558
Total subordinated capital					1,118	1,115	1,118	1,115

1) Optional redemption from 2 November 2024 after which the interest rate will be fixed at 1.85% above 3M EURIBOR.

2) The interest rate follows the 10Y Mid-Swap plus a margin of 0.2%.

Over 1 year not exceeding 5 years	-	557	-	557
Over 5 years	1,118	558	1,118	558
Total	1,118	1,115	1,118	1,115
Costs relating to raising and redeeming 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 – 2023	1,115	-	-	3	0	1,118
Subordinated capital – 2022	1,858	-	(744)	1	0	1,115

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.

Notes

Note 34 Own holdings DKKm	Sydbank Group		Sydbank A/S	
	2023	2022	2023	2022
Nominal portfolio of own holdings	19	19	19	19
Nominal portfolio of own holdings as % of share capital	3.4	3.2	3.4	3.2
Shares outstanding (number)	54,582,651	56,494,660	54,582,651	56,494,660
Holding of own shares (number)	1,917,669	1,892,660	1,917,669	1,892,660
Total share capital (number)	56,500,320	58,387,320	56,500,320	58,387,320
Own holdings purchased during the year				
Number of shares	5,109,363	6,009,734	5,109,363	6,009,734
Nominal value	51	60	51	60
Consideration paid	1,613	1,386	1,613	1,386
Number of shares as % of share capital	9.0	10.3	9.0	10.3
Own holdings sold during the year				
Number of shares	5,084,354	5,409,083	5,084,354	5,409,083
Nominal value	51	54	51	54
Consideration received	1,537	1,198	1,537	1,198
Number of shares as % of share capital	9.0	9.3	9.0	9.3

Within the share buyback programme 1,911,900 shares totalling DKK 600m were purchased during the period from 6 July to 22 December 2023. 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.

Note 35 Contingent liabilities and other obligating agreements

DKKm	Sydbank Group		Sydbank A/S	
	2023	2022	2023	2022
Contingent liabilities				
Financial guarantees	5,964	6,117	5,964	6,117
Mortgage finance guarantees*	3,174	3,890	3,174	3,890
Funded mortgage-like loan guarantees*	703	804	703	804
Registration and remortgaging guarantees*	4,073	3,451	4,073	3,451
Other contingent liabilities	1,607	1,687	1,607	1,687
Total	15,521	15,949	15,521	15,949

* Subject to IFRS 9.

Other obligating agreements

Irrevocable credit commitments	1,627	1,722	1,627	1,722
Other liabilities*	6	6	53	60
Total	1,633	1,728	1,680	1,782
* Of which intra-group liabilities in relation to rented premises	-	-	47	54

DKKm	Sydbank Group					
	Stage 1	Stage 2	Stage 3	Credit impaired at initial recognition	Total	Total
Guarantees						
1 Jan	15,018	731	200	-	15,949	19,722
Transfers between stages						
Transfers to stage 1	200	(199)	(1)	-	-	-
Transfers to stage 2	(421)	432	(11)	-	-	-
Transfers to stage 3	(6)	(26)	32	-	-	-
New exposures	7,610	135	14	-	7,759	8,044
Final repayments	(7,045)	(178)	(52)	-	(7,275)	(11,563)
Changes in balances	(795)	(81)	(36)	-	(912)	(254)
31 Dec	14,561	814	146	-	15,521	15,949

Provisions for guarantees

1 Jan	8	34	74	-	116	96
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Transfers between stages

Transfers to stage 1	4	(4)	-	-	-	-
Transfers to stage 2	-	5	(5)	-	-	-
Transfers to stage 3	-	(4)	4	-	-	-
New exposures	4	3	-	-	7	19
Final repayments	(3)	(4)	(12)	-	(19)	(22)
Changes in balances	(4)	4	(10)	-	(10)	23
31 Dec	9	34	51	-	94	116

Rating category/DKKm	1	2	3	4	5	6	7	8	9	Default	Total
Irrevocable credit commitments											
2023	62	1,105	183	183	94	0	0	0	0	0	1,627
2022	357	867	207	200	79	4	5	1	1	1	1,722

Notes

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 5.9% 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 2023 Sydbank has contributed DKK 194m and expects that contributions will total approximately DKK 225m 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 impact 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 Bank'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 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 23m at 31 December 2023 (2022: DKK 247m under "Other liabilities").

During the year a net loss on hedging transactions of DKK 148m was recorded (2022: net gain of DKK 35m). The loss eliminates a corresponding net gain on hedged items.

The Group's interest rate risk management is described in more detail in "Notes – Risk Management" on page 133.

DKKm	Sydbank Group		Sydbank A/S	
	2023	2022	2023	2022
Note 36 Fair value hedging of interest rate risks (macro hedge) – continued				
Fixed-rate loans and advances				
Carrying amount	8,070	8,422	8,070	8,422
Fixed-rate deposits				
Carrying amount	5,889	-	5,889	-
Swaps				
Principal – purchase	1,217	422	1,217	422
Principal – sale	6,607	7,327	6,607	7,327
Fair value	162	290	162	290
Fixed-rate subordinated capital/bonds issued/AT1 capital				
Carrying amount	12,607	13,646	12,607	13,646
Swaps				
Principal	12,476	13,557	12,476	13,557
Fair value	(103)	(511)	(103)	(511)

The Group's fair value hedging of interest rate risks (macro hedge) is described in more detail in note 39 on page 120.

Note 37 Collateral

At the end of 2023 the Group had deposited as collateral securities and cash at a total value of DKK 152m 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 623m and deposited securities at a value of DKK 60m. 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	
	2023	2022	2023	2022
Assets sold as part of repo transactions				
Bonds at fair value	6,743	3,961	6,743	3,961
Assets purchased as part of reverse transactions				
Bonds at fair value	20,864	13,340	20,864	13,340

Notes

Note 38 Related parties

Sydbank Group

DKKm	2023			2022		
	Associates	Board of Directors	Group Executive Management	Associates	Board of Directors	Group Executive Management
Loans and advances and loan commitments	0	14	0	0	15	0
Deposits and other debt	56	33	8	70	16	7
Guarantees issued	0	0	0	0	0	0
Collateral received	0	7	0	0	8	0
Interest income	0	0	0	0	0	0
Interest expense	0	0	0	(1)	0	0
Fee and commission income	0	0	0	0	0	0
Other expenses	609	0	0	646	0	0

Interest rates 2023

Group Executive Management: No loans and advances

Board of Directors: 4.47-5.45% 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 2023.

Amounts owed by and to subsidiaries etc

Sydbank Group

Sydbank A/S

DKKm	2023		2022	
	2023	2022	2023	2022
Loans and advances at amortised cost	-	-	484	478
Total asset items	-	-	484	478
Deposits and other debt	-	-	2,277	2,135
Total liability items	-	-	2,277	2,135

Note 38 Related parties – continued

Sydbank Group

Number	1 Jan 2023	On appointment/ resignation	Additions	Disposals	31 Dec 2023
Sydbank A/S shares held by					
Board of Directors (personal holdings)					
Lars Mikkjelgaard-Jensen (Chairman)	5,000		1,000		6,000
Jacob Chr. Nielsen (Vice-Chairman)	914				914
Carsten Andersen	1,059		142	235	966
Henrik Hoffmann	750				750
Søren Holm	2,000		1,000		3,000
Janne Moltke-Leth	222		33		255
Ellen Trane Nørby – new member	-	72	156		228
Jarl Oxlund	1,692		107		1,799
Gitte Poulsen	5,330				5,330
Susanne Schou	110				110
Jon Stefansson	389				389
Jørn Krogh Sørensen	3,463		178	779	2,862
Pia Wrang	375		249	199	425
Total	21,304	72	2,865	1,213	23,028
Board of Directors (own holdings and holdings of dependants)					
Lars Mikkjelgaard-Jensen (Chairman)	5,000		1,000		6,000
Jacob Chr. Nielsen (Vice-Chairman)	914				914
Carsten Andersen	1,059		142	235	966
Henrik Hoffmann	750				750
Søren Holm	2,000		1,000		3,000
Janne Moltke-Leth	222		33		255
Ellen Trane Nørby – new member	-	72	156		228
Jarl Oxlund	1,692		107		1,799
Gitte Poulsen	5,330				5,330
Susanne Schou	420				420
Jon Stefansson	389				389
Jørn Krogh Sørensen	3,468		178	779	2,867
Pia Wrang	375		259	199	435
Total	21,619	72	2,875	1,213	23,353
Group Executive Management (own holdings and holdings of dependants)					
Karen Frøsig	8,593		535		9,128
Jørn Adam Møller	7,491		535		8,026
Stig Westergaard – appointed	-	5,758			5,758
Bjarne Larsen – resigned	7,934	(7,934)			-
Total	24,018	(2,176)	1,070	-	22,912
Total	45,637	(2,104)	3,945	1,213	46,265

Notes

Note 39 Fair value disclosure

Financial instruments are included in the balance sheet either at fair value or at amortised cost. The table below breaks down financial instruments by valuation technique.

DKKm				Sydbank Group	
	FVPL	Fair value option	FVOCI	Total fair value	2023 Amortised cost
Financial assets					
Cash and balances on demand at central banks				-	6,523
Amounts owed by credit institutions and central banks	3,874			3,874	14,388
Loans and advances at fair value	16,743			16,743	-
Loans and advances at amortised cost				-	74,535
Bonds at fair value	13,914	20,705		34,619	-
Shares etc	94	2,378	546	3,018	-
Assets related to pooled plans		22,903		22,903	-
Land and buildings			1,202	1,202	-
Other assets	4,815	177		4,992	1,486
Total	39,440	46,163	1,748	87,351	96,932
Undrawn credit commitments				-	60,952
Maximum credit risk, collateral not considered	39,440	46,163	1,748	87,351	157,884
Financial liabilities					
Amounts owed to credit institutions and central banks	3,485			3,485	2,910
Deposits and other debt	3,299			3,299	108,351
Deposits in pooled plans		22,903		22,903	-
Bonds issued at amortised cost				-	11,161
Other liabilities	10,549			10,549	5,358
Subordinated capital				-	1,118
Total	17,333	22,903		40,236	128,898

Note 39 Fair value disclosure – continued

Sydbank Group

DKKm				2022	
	FVPL	Fair value option	FVOCI	Total fair value	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	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	6,312
Subordinated capital				-	1,115
Total	14,842	20,597		35,439	129,679

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 354m of the calculated price.

Notes

Note 39 Fair value disclosure – continued

Sydbank Group

DKKm	Quoted prices	Observable inputs	Unobservable inputs	Total fair value
2023				
Financial assets				
Amounts owed by credit institutions and central banks		3,874		3,874
Loans and advances at fair value		16,743		16,743
Bonds at fair value		34,619		34,619
Shares etc	658	22	2,338	3,018
Assets related to pooled plans	16,021	6,882		22,903
Land and buildings			1,202	1,202
Other assets	272	4,720		4,992
Total	16,951	66,860	3,540	87,351
Financial liabilities				
Amounts owed to credit institutions and central banks		3,485		3,485
Deposits and other debt		3,299		3,299
Deposits in pooled plans		22,903		22,903
Other liabilities	198	10,351		10,549
Total	198	40,038	-	40,236
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		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

Note 39 Fair value disclosure – continued

Sydbank Group

DKKm	2023	2022
Assets measured on the basis of unobservable inputs		
Carrying amount at 1 Jan	2,382	2,183
Additions	2	156
Disposals	245	68
Market value adjustment	199	111
Value at 31 Dec	2,338	2,382
Recognised in profit for the year		
Interest income	-	-
Dividend	19	22
Market value adjustment	199	111
Total	218	133

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 2023 CVA constituted DKK 16m compared to DKK 16m at year-end 2022.

Customer margins recognised in connection with derivatives are amortised over the life of the transaction. At year-end 2023 customer margins not yet recognised as income totalled DKK 12m compared to DKK 14m at year-end 2022.

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 – level 2.
- 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 2023 in all material respects.

DKKm	Sydbank Group			
	2023		2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Bonds issued at amortised cost	11,161	11,148	13,242	13,157
Subordinated capital	1,118	1,008	1,115	1,003

Notes

Note 40 Financial liabilities – contractual maturities

Sydbank Group

DKKm					
	On demand	3 months or less	Over 3 months not exceeding 1 year	Over 1 year not exceeding 5 years	Over 5 years
2023					
Amounts owed to credit institutions and central banks	2,524	3,871	-	-	-
Deposits and other debt	84,118	20,712	3,031	753	3,037
Bonds issued at amortised cost	-	-	-	11,161	-
Subordinated capital	-	-	-	-	1,118
Total	86,642	24,583	3,031	11,914	4,155
Contingent liabilities (guarantees)	7,472	4,146	1,078	1,120	1,705
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

Amounts are exclusive of expected cash flows.

2023

Amounts owed to credit institutions and central banks	2,524	3,872	-	-	-
Deposits and other debt	84,118	20,752	3,076	786	4,071
Bonds issued at amortised cost	-	-	-	11,162	-
Subordinated capital	-	-	-	-	1,118
Total	86,642	24,624	3,076	11,948	5,189
Contingent liabilities (guarantees)	7,472	4,146	1,078	1,120	1,705

2022

Amounts owed to credit institutions and central banks	2,467	3,016	-	-	-
Deposits and other debt	98,230	4,629	625	436	4,025
Bonds issued at amortised cost	-	-	3,714	9,529	-
Subordinated capital	-	-	557	558	-
Total	100,697	7,645	4,896	10,523	4,025
Contingent liabilities (guarantees)	7,362	3,615	908	1,667	2,397

Amounts include undiscounted expected cash flows in the contractual maturities of the financial liabilities.

Note 41 Activity per country

Sydbank Group

DKKm					
	Turnover	Number of employees	Profit before tax	Tax	Public subsidies received
2023					
Denmark, banking and leasing	7,087	1,958	4,070	875	0
Germany, banking	346	71	211	64	0
Total	7,433	2,029	4,281	939	0
2022					
Denmark, banking and leasing	5,146	1,968	2,303	479	0
Germany, banking	245	66	102	25	0
Total	5,391	2,034	2,405	504	0

Turnover is defined as net interest and fee income, market value adjustments and other operating income.

Note 42 Financial highlights
Sydbank Group

	2023	2022	2021	2020	2019
Income statement highlights (DKK m)					
Net interest and fee income	6,672	4,981	4,252	3,557	3,602
Market value adjustments	737	386	474	340	226
Staff costs and administrative expenses	3,024	2,931	3,237	2,724	2,729
Impairment of loans and advances etc	(27)	(96)	(415)	48	(90)
Profit/(Loss) on holdings in associates etc	7	8	7	8	5
Profit for the year*	3,342	1,901	1,411	799	853
Balance sheet highlights (DKK bn)					
Loans and advances	91.3	84.4	84.0	78.2	73.2
Total equity	15.7	14.0	13.2	12.5	11.8
Total assets	185.1	179.3	168.2	165.8	147.7
Financial ratios per share (DKK per share of DKK 10)					
EPS	58.8	32.3	23.2	12.7	13.5
Book value	273.9	233.4	212.6	197.6	184.9
Dividend	30.56	16.77	12.00	4.00	-
Share price/EPS	5.0	9.1	8.9	10.6	10.4
Share price/book value	1.07	1.25	0.97	0.68	0.76
Other financial ratios and key figures					
Capital ratio	21.1	19.6	22.8	24.0	22.9
T1 capital ratio	20.1	18.6	19.3	20.4	19.4
Pre-tax profit as % of average equity	30.3	18.9	14.2	8.6	9.5
Post-tax profit as % of average equity	23.6	14.8	11.3	6.7	7.5
Income/cost ratio (DKK)	2.36	1.82	1.59	1.35	1.39
Interest rate risk	0.5	1.3	1.6	1.6	1.6
Foreign exchange position	0.7	1.8	1.1	1.2	1.6
Foreign exchange risk	0.0	0.0	0.0	0.0	0.0
Loans and advances relative to deposits	0.6	0.7	0.7	0.7	0.7
Loans and advances relative to equity	6.1	6.4	6.7	6.7	6.7
Growth in loans and advances for the year	0.8	10.3	11.3	(0.5)	(0.7)
Liquidity, LCR (%)	223	200	200	210	174
Total large exposures	137	147	140	149	143
Impairment ratio for the year	0.0	(0.1)	(0.4)	0.0	(0.1)
Return on assets (%)	1.83	1.09	0.84	0.51	0.59

* Determined according to IFRS.

Financial highlights and financial ratios are specified in the Danish FSA's executive order on financial reporting of credit institutions etc.

Notes

Note 42 Financial highlights – continued

Sydbank A/S

	2023	2022	2021	2020	2019
Income statement highlights (DKK m)					
Net interest and fee income	6,429	4,897	4,149	3,427	3,519
Market value adjustments	778	427	593	348	236
Staff costs and administrative expenses	2,964	2,871	3,179	2,632	2,666
Impairment of loans and advances etc	(27)	(96)	(415)	48	(90)
Profit/(Loss) on holdings in associates etc	185	31	7	11	0
Profit for the year	3,375	1,937	1,494	802	861
Balance sheet highlights (DKK bn)					
Loans and advances	91.8	84.9	84.5	79.4	73.6
Total equity	15.7	13.9	13.2	12.5	11.7
Total assets	187.2	181.3	170.3	168.8	150.0
Financial ratios per share (DKK per share of DKK 10)					
EPS	60.0	33.0	24.7	12.9	13.7
Book value	273.9	233.4	212.6	197.6	184.9
Dividend	30.56	16.77	12.00	4.00	-
Share price/EPS	4.9	8.9	8.4	10.5	10.2
Share price/book value	1.07	1.25	1.00	0.68	0.76
Other financial ratios and key figures					
Capital ratio	20.4	19.0	22.0	22.7	22.0
T1 capital ratio	19.4	18.0	18.6	19.4	18.6
Pre-tax profit as % of average equity	30.4	18.8	15.0	8.5	9.5
Post-tax profit as % of average equity	23.7	14.8	12.1	6.7	7.5
Income/cost ratio (DKK)	2.39	1.84	1.63	1.36	1.39
Interest rate risk	0.5	1.3	1.6	1.5	1.6
Foreign exchange position	0.7	1.8	1.1	1.2	1.6
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	6.1	6.4	6.8	6.8	6.7
Growth in loans and advances for the year	0.8	10.2	9.9	0.7	(0.3)
Liquidity, LCR (%)	223	200	200	210	174
Total large exposures	137	147	140	149	143
Impairment ratio for the year	0.0	(0.1)	(0.4)	0.0	(0.1)
Return on assets (%)	1.81	1.08	0.88	0.50	0.59

Financial highlights and financial ratios are specified in the Danish FSA's executive order on financial reporting of credit institutions etc.

Note 43 Reporting events occurring after the balance sheet date

No matters of significant impact on the financial position of the Group have occurred after the expiry of the financial year.

Note 44 Group holdings and enterprises

Sydbank Group

31 December 2023	Activity	Share capital (DKKm)	Equity (DKKm)	Profit/ (Loss) (DKKm)	Ownership share (%)
Sydbank A/S		565			
Consolidated subsidiaries					
Ejendomsselskabet af 1. juni 1986 A/S, Aabenraa		11	36	6	100
Syd Administration A/S, Aabenraa		300	2,180	158	100
Syd Fund Management A/S, Aabenraa		100	118	18	67
Held for sale					
Green Team Group A/S, Sønder Omme		101	(15)	(26)	100
Holdings in associates					
Foreningen Bankdata, Fredericia*		472	461	10	34
Komplementarselskabet Core Property Management A/S, Copenhagen*		1	1	0	20
Core Property Management P/S, Copenhagen*		5	50	36	20

* Financial information according to the companies' most recently published annual reports (2022).

Note 45 Large shareholders

Dimensional Holdings Inc., USA, and Nykredit Realkredit A/S own 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 FVOCI 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	
	2023	2022	2023	2022
Group profit and equity according to IFRS	3,342	1,901	15,748	13,981
Value adjustment of certain strategic shares	52	54	-	-
Tax on value adjustment of certain strategic shares	(13)	(12)	-	-
Group profit and equity according to the Danish FSA accounting rules	3,381	1,943	15,748	13,981

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 2023	Total 2022
Nominal values						
Foreign exchange contracts:						
Spot, bought	423	-	-	-	423	196
Spot, sold	882	-	-	-	882	2,189
Forwards/futures, bought	14,572	3,681	386	-	18,639	15,504
Forwards/futures, sold	17,025	3,409	285	-	20,719	13,957
Swaps, bought	4	-	-	13	16	1,157
Swaps, sold	-	-	299	125	424	566
Options, acquired	1,406	646	18	-	2,070	1,208
Options, written	1,269	500	8	-	1,777	875
Interest rate contracts:						
Spot, bought	3,910	-	-	-	3,910	3,437
Spot, sold	2,777	-	-	-	2,777	3,608
Forwards/futures, bought	4,181	-	-	-	4,181	2,303
Forwards/futures, sold	3,741	-	-	-	3,741	2,561
Forward rate agreements, bought	0	-	-	-	0	0
Forward rate agreements, sold	0	1,491	-	-	1,491	0
Swaps, bought	13,237	29,036	66,880	9,225	118,378	97,140
Swaps, sold	16,761	39,810	63,771	9,484	129,826	98,541
Options, acquired	3,287	435	559	436	4,717	1,877
Options, written	3,220	511	759	598	5,088	2,431
Equity contracts:						
Spot, bought	1,364	-	-	-	1,364	512
Spot, sold	1,378	-	-	-	1,378	554
Forwards/futures, bought	0	-	-	-	0	1
Forwards/futures, sold	0	-	-	-	0	1
Options, acquired	0	-	-	-	0	0
Options, written	0	-	-	-	0	0

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 2023	Total 2022
Net market values						
Foreign exchange contracts:						
Spot, bought	(1)	-	-	-	(1)	(2)
Spot, sold	1	-	-	-	1	0
Forwards/futures, bought	(17)	(30)	0	-	(47)	35
Forwards/futures, sold	96	22	0	-	117	55
Swaps	2	-	(4)	16	14	(23)
Options, acquired	12	6	0	-	18	25
Options, written	(10)	(3)	0	-	(13)	(9)
Interest rate contracts:						
Spot, bought	18	-	-	-	18	(4)
Spot, sold	(12)	-	-	-	(12)	7
Forwards/futures, bought	25	-	-	-	25	0
Forwards/futures, sold	(26)	-	-	-	(26)	14
Forward rate agreements, bought	0	-	-	-	-	0
Forward rate agreements, sold	-	1	1	0	2	0
Swaps	(18)	84	(54)	56	68	215
Options, acquired	0	1	1	8	10	23
Options, written	(24)	(2)	(1)	(21)	(48)	(80)
Equity contracts:						
Spot, bought	3	-	-	-	3	0
Spot, sold	(2)	-	-	-	(2)	0
Forwards/futures, bought	4	-	-	-	4	(8)
Forwards/futures, sold	(1)	-	-	-	(1)	2
Options, acquired	0	-	-	-	0	0
Options, written	0	-	-	-	0	0
Total net market values	50	79	(58)	59	130	250

DKKm	Total contracts 2023*			Total contracts 2022*		
	Positive	Negative	Net	Positive	Negative	Net
Market values						
Foreign exchange contracts:						
Spot, bought	2	(3)	(1)	0	(2)	(2)
Spot, sold	1	0	1	0	0	0
Forwards/futures, bought	91	(139)	(48)	195	(160)	35
Forwards/futures, sold	169	(51)	118	182	(127)	55
Swaps	22	(7)	15	39	(62)	(23)
Options, acquired	18	-	18	25	0	25
Options, written	-	(13)	(13)	0	(9)	(9)
Interest rate contracts:						
Spot, bought	21	(2)	19	1	(5)	(4)
Spot, sold	2	(14)	(12)	9	(2)	7
Forwards/futures, bought	38	(13)	25	9	(9)	0
Forwards/futures, sold	16	(42)	(26)	18	(4)	14
Forward rate agreements, bought	-	-	-	0	0	0
Forward rate agreements, sold	1	-	1	0	0	0
Swaps	4,316	(4,248)	68	5,889	(5,675)	214
Options, acquired	11	0	11	23	0	23
Options, written	0	(49)	(49)	0	(80)	(80)
Equity contracts:						
Spot, bought	4	(1)	3	2	(2)	0
Spot, sold	1	(4)	(3)	2	(2)	0
Forwards/futures, bought	5	(1)	4	0	(8)	(8)
Forwards/futures, sold	0	(1)	(1)	2	0	2
Options, acquired	0	-	0	0	0	0
Options, written	-	0	0	0	0	0
Total market values	4,718	(4,588)	130	6,397	(6,147)	250

* All contracts are non-guaranteed.

Notes – Derivatives

DKKm	Total contracts 2023*			Total contracts 2022*		
	Positive	Negative	Net	Positive	Negative	Net
Average market values						
Foreign exchange contracts:						
Spot, bought	3	(5)	(2)	5	(4)	1
Spot, sold	1	(2)	(1)	2	(1)	1
Forwards/futures, bought	172	(131)	41	288	(124)	164
Forwards/futures, sold	171	(120)	51	120	(247)	(127)
Swaps	22	(88)	(66)	67	(35)	32
Options, acquired	25	-	25	27	0	27
Options, written	-	(15)	(15)	0	(38)	(38)
Interest rate contracts:						
Spot, bought	6	(2)	4	5	(10)	(5)
Spot, sold	6	(4)	2	22	(6)	16
Forwards/futures, bought	19	(7)	12	17	(50)	(33)
Forwards/futures, sold	12	(14)	(2)	39	(14)	25
Forward rate agreements, bought	-	-	-	0	0	0
Forward rate agreements, sold	-	-	-	0	0	0
Swaps	5,448	(5,209)	239	4,079	(4,065)	14
Options, acquired	22	0	22	12	0	12
Options, written	0	(73)	(73)	0	(44)	(44)
Equity contracts:						
Spot, bought	5	(5)	0	12	(9)	3
Spot, sold	5	(5)	0	8	(11)	(3)
Forwards/futures, bought	10	(2)	8	3	(6)	(3)
Forwards/futures, sold	1	(5)	(4)	3	(1)	2
Options, acquired	0	-	0	0	0	0
Options, written	-	0	0	0	0	0
Total average market values	5,928	(5,687)	241	4,709	(4,666)	43

* Average market value calculations are based on monthly statements.

DKKm	Market values		Collateral		Exposure by counterparty	
	Positive	Negative	Provided	Received	Amount due	Amount owed
2023						
Exposure						
Counterparties with CSA agreements	4,421	4,294	520	425	244	23
Counterparties without CSA agreements	297	294	-	-	229	226
Total	4,718	4,588	520	425	473	249
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

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.

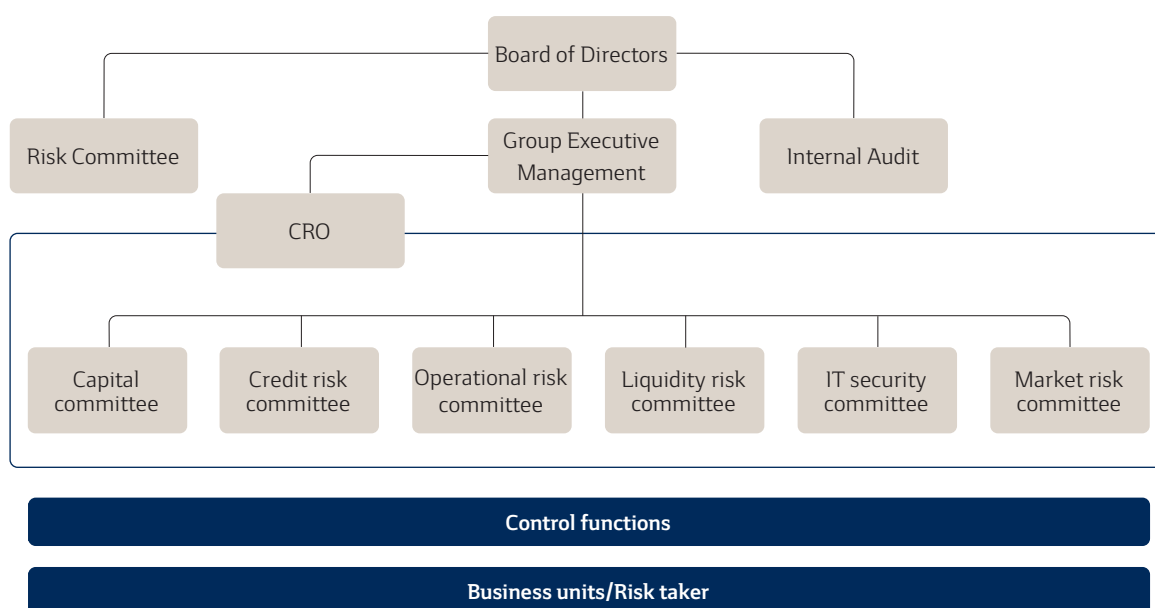
Risk management is supported by the Group's risk organisation, see the chart below.

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 2023 together with the Group's 2023 financial statements, Credit Risk 2023, the Group's Internal Liquidity Adequacy Assessment Process (ILAAP) at 31 December 2023 and the Group's Internal Capital Adequacy Assessment Process (ICAAP) at 31 December 2023 constitute the main elements of Risk Committee and Audit Committee meetings as well as board meetings at the beginning of 2024. On the basis of the discussions at these meetings the Board of Directors will subsequently update the Group's policies and guidelines.



Notes – Risk Management

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 customers' 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 customers 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.

Credit risk – continued

Risk Follow-up

Risk Follow-up is part of the division Risk.

Risk Follow-up monitors the most significant risks in the credit area. Monitoring is based on an assessment as to whether the Group's internal control system as regards the credit area is adequate and whether the Group has business procedures describing the internal control system in the credit area. In addition monitoring of risks in the credit area is based on supplementary analyses, research and controls of the credit quality of exposures, registrations, impairment 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.

Finally Risk Follow-up is tasked with assessing the data quality of the data used in the Group's IRB models.

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	2023	2022
Loans and advances at fair value	16,743	10,490
Loans and advances at amortised cost	74,535	73,933
Guarantees	15,521	15,949
Credit exposure for accounting purposes	106,799	100,372
Collateral value	63,209	57,739
Total unsecured	43,590	42,633

Types of collateral

Real estate	12,542	11,659
Financial collateral	23,220	17,311
Lease assets, mortgages etc	7,138	6,899
Floating charges, operating equipment etc	10,222	10,141
Guarantees	2,036	2,661
Other items of collateral	101	119
Total collateral used	55,259	48,790
Particularly secured transactions (mortgage guarantees)	7,950	8,949
Total	63,209	57,739

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 2023 repossessed equipment in connection with non-performing exposures amounted to DKK 10.5m (2021: DKK 47m). 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 represented DKK 63,209m in 2023 – an increase of DKK 5,470m compared to 2022. The increase is predominantly attributable to a rise in financial collateral of DKK 5,909m from DKK 17,311m in 2022 to DKK 23,220m in 2023.

The increase in financial collateral is primarily attributable to the rise in loans and advances at fair value, which have gone up by DKK 6,253m.

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

Notes – Risk Management

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. 59.2% (2022: 57.5%) of the Group's loans and advances and guarantees after impairment charges is secured.

Collateral by rating category

DKKm					2023	2022
Rating category	Loans/ advances	Guarantees	Collateral value	Unsecured	%	%
1	18,124	4,114	17,410	4,828	10.7	7.5
2	22,098	5,388	10,743	16,743	36.9	38.5
3	21,320	2,215	17,265	6,270	13.8	14.4
4	14,961	1,585	8,030	8,516	18.8	24.6
5	8,482	949	4,609	4,822	10.6	7.2
6	2,159	162	1,453	868	1.9	1.8
7	1,843	309	1,202	950	2.1	1.6
8	380	47	316	111	0.2	0.4
9	1,258	162	983	437	1.0	1.2
Default	1,138	110	177	1,071	2.4	2.4
STD/NR	1,253	480	1,021	712	1.6	0.4
Total	93,016	15,521	63,209	45,328	100.0	100.0
Impairment of loans and advances	1,738	-	-	1,738		
Total	91,278	15,521	63,209	43,590		

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.

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 overall limits from the Board of Directors are passed on to Sydbank Markets and Treasury by the Group Executive Management. 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 2023 it represented DKK 65m or 0.6% 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 2023	Total 2022
DKK	87	(20)	8	62	137	145
EUR	(49)	0	(3)	(24)	(76)	(3)
EUR/DKK	38	(20)	5	38	61	142
Other	(1)	2	2	1	4	5
Total 2023	37	(18)	7	39	65	
Total 2022	65	16	14	52		147

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 2022 – 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.

Notes – Risk Management

Market risk – continued

The bulk of the Group's interest rate risk at 31 December 2023 is attributable to the Group's positions in Treasury.

Interest rate risk – Sydbank Markets and Treasury

DKKm	2023			2022		
	Sydbank Markets	Treasury	Total	Sydbank Markets	Treasury	Total
DKK	73	64	137	53	92	145
EUR	(63)	(13)	(76)	0	(3)	(3)
EUR/DKK	10	51	61	53	89	142
Other	2	2	4	3	2	5
Total	12	53	65	56	91	147

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 223m at 31 December 2023 and is included when determining the solvency need.

Credit spread risk by bond type

DKKm	2023	2022
Mortgage credit	185	146
Government	9	6
Other	29	23
Total	223	175

Equity risk

The Group's portfolio of shares and holdings in associates represented DKK 3,182m at 31 December 2023 (2022: DKK 3,229m), including equity investments totalling DKK 3,088m (2022: DKK 3,070m).

In the event of a 10% change in share prices, profit before tax will be affected by DKK 264m (2022: DKK 274m) as well as other comprehensive income by DKK 55m (2022: DKK 49m). Equity investments represent DKK 254m (2022: DKK 258m) and DKK 55m (2022: DKK 49m) respectively.

Foreign exchange risk

As in previous years the Group's foreign exchange risk was insignificant in 2023 and consequently a 10% change in exchange rates against DKK at 31 December 2023 will not affect profit before tax significantly.

Other market risks

The Group had no other significant market risks at 31 December 2023.

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 base.
- 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	2023	2022
Total liquidity buffer	57.7	56.5
Net cash outflows	25.9	28.2
LCR (%)	223	200

The Group has met the regulatory LCR requirement of 100% throughout the year and its excess cover was significant at 31 December 2023.

Funding ratio

DKKbn	2023	2022
Equity and subordinated capital	16.9	15.1
SNP loans with maturities over 1 year	11.2	9.5
Stable deposits	104.5	101.3
Total stable funding	132.6	125.9
Loans and advances (excl reverse)	74.5	73.9
Funding ratio (%)	178	170

As shown above the Group's stable funding exceeded the Group's loans and advances by DKK 58.1bn at 31 December 2023 (2022: DKK 52.0bn).

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.

Notes – Risk Management

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	Inclusion ceases on
EUR 500m	3,722	10 Nov 2025	10 Nov 2026	10 Nov 2025
EUR 500m	3,721	30 Sep 2024	30 Sep 2025	30 Sep 2024
EUR 500m	3,718	6 Sep 2027	6 Sep 2028	6 Sep 2027
Total	11,161			

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 2023 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.

Cyber and information security

IT supports a large part of the processes used by the Bank's customers and advisers. This function is strengthened by the increased digitization at 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 an analysis is prepared annually in which critical processes 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, 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 2023 the Group met regulatory capital requirements as well as internal capital targets.

Management Statement

Today we have reviewed and approved the 2023 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 legislative requirements, including 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 Danish Financial Business Act and the disclosure requirements of Article 8 of Regulation (EU) 2020/852 (the Taxonomy Regulation).

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 2023 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 2023.

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 2023, with the file name Sydbank-2023-12-31-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, 28 February 2024

Group Executive Management

Karen Frøsig
(CEO)

Jørn Adam Møller

Stig Westergaard

Board of Directors

Lars Mikkeldgaard-Jensen
(Chairman)

Jacob Chr. Nielsen
(Vice-Chairman)

Carsten Andersen

Henrik Hoffmann

Søren Holm

Janne Moltke-Leth

Ellen Trane Nørby

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 2023 and of the results of the Group's operations and cash flows for the financial year 1 January - 31 December 2023 in accordance with IFRS Accounting 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 2023, and of the results of the Bank operations and cash flows for the financial year 1 January to 31 December 2023 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 2023 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 2023 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 reappointed annually by shareholder resolution for a total period of uninterrupted engagement of three years including the financial year 2023.

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 2023. 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. 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 increased interest rate levels and risk of economic slowdown, 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.
- 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 (Management's judgement), 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 2023 and in the balance sheet at 31 December 2023.

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 (underperforming stage 2 loans).

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 the management's review and, in doing so, consider whether the management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Auditors' Report

Independent Auditor's Report

Moreover, it is our responsibility to consider whether the management's review provides the information required under the Danish Financial Business Act and article 8 of EU Regulation 2020/852 (the Taxonomy Regulation).

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 and the disclosure requirements of article 8 of EU Regulation 2020/852 (the Taxonomy Regulation). 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 IFRS Accounting 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 2023, with the file name Sydbank-2023-12-31-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 of Sydbank A/S for the financial year 1 January to 31 December 2023, with the file name Sydbank-2023-12-31-da.zip, has, in all material respects, been prepared in accordance with the ESEF Regulation.

Herning, 28 February 2024

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
CVR no 33 77 12 31

Per Rolf Larssen

State Authorised Public Accountant
mne24822

Daniel Mogensen

State Authorised Public Accountant
mne45831

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 selected data described below and included in the annual report on pages 55-62 for the period 1 January – 31 December 2023.

Our Conclusion

Based on the procedures we performed and the evidence we obtained, nothing has come to our attention that causes us to believe that the selected data in scope for our limited assurance engagement included in the annual report on pages 55-62 for the period 1 January - 31 December 2023 has not been prepared, in all material respects, in accordance with the 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 say in the remainder of our report.

What we are assuring

The scope of our work was limited to assurance over the sustainability information included in the section ESG data and data handling on pages 55-62 of the management review of the annual report for 2023.

We express limited assurance in our conclusion.

Professional standards applied and level of assurance

We performed our limited assurance engagement in accordance with the 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', issued by the International Auditing and Assurance Standards Board. Greenhouse Gas emissions quantification is subject to inherent uncertainty as a result of incomplete scientific knowledge used to determine emission factors and the values and methods needed to combine emissions of different gases.

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 controls, 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 behaviour and ethical requirements applicable in Denmark.

PricewaterhouseCoopers is subject to the International Standard on Quality Management 1, ISMQ 1, and accordingly maintains a comprehensive system of quality control, including documented policies and 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. team with experience in sustainability reporting and assurance.

Understanding reporting and measurement methodologies

The ESG data and information 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 on, to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities 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,

Independent limited assurance report on the 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.

Statement on other sustainability information mentioned in the report

Management is responsible for other sustainability information communicated in the 2023 management review of the annual report.

Our conclusion on the ESG data on pages 55-62 does not cover other 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 and, in doing so, considered whether the other ESG or sustainability information is materially inconsistent with the ESG data or our knowledge obtained in the limited assurance engagement 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 controls over information relevant to the preparation of data in the annual report that is free from material misstatement, whether due to fraud or error;
- establishing objective accounting policies for preparing data;
- measuring and reporting data in the annual report based on the accounting policies; and
- the content of the annual report for the period 1 January – 31 December 2023.

Our responsibilities

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether selected data in the 2023 annual report is free from material misstatement, and has been prepared, in all material respects, in accordance with the accounting policies developed by Sydbank A/S.
- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our conclusion to the stakeholders of Sydbank A/S.

Herning, 28 February 2024

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 Mikkilgaard-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: 2024

Independent: Yes

Committee memberships: Member of Digitization Committee and Nomination 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: 2024

Independent: Yes

Committee memberships: Member of Audit Committee

Directorships and other offices:

Meldgaard Recycling ApS, CEO

Camping Outdoor Danmark, chairman

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



Board member

Janne Moltke-Leth

Executive Manager

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: 2024

Independent: Yes

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

Directorships and other offices:

Reform Group Holding ApS, executive manager
Svenske Duni AB, board member

Specific competences: Management, strategy and business development, marketing and communication, flow analysis, 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: 2024

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

Executive Manager

Born: 5 August 1967

Gender: Female

Education: –

Elected to Board of Directors: 2019

Expiry of current term of office: 2024

Independent: Yes

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

Directorships and other offices:

Gitte Poulsen Holding 2019 ApS, executive manager

Gitte Poulsen Holding 2022 ApS, executive manager

Ejendomsselskabet af 29.06.2006 A/S, chairman

Herning Folkeblads Fond, board member

Gitte Poulsen Holding ApS, executive manager

KP Invest Herning A/S, board member

KP Invest Finans III A/S, chairman

KP Invest Finans II A/S, chairman

KP Invest Finans I A/S, chairman

Selskabet af 1. september 2022 ApS, chairman

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: 2024

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 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: 2024

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

Kapitalforeningen Accunia Invest, 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: 2024

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

Ellen Trane Nørby

Vice Mayor, professional board member and independent consultant

Born: 1 February 1980

Gender: Female

Education: MA (history of art)

Elected to Board of Directors: 2023

Expiry of current term of office: 2024

Independent: Yes

Committee memberships: -

Directorships and other offices

Naviair, board member

Genau & More A/S, chairman

Projekt Zero-fonden, board member

DANVA Dansk Vand- og Spildevandsforening, board member

SONFOR Holding A/S, chairman

SONFOR Varme A/S, chairman

SONFOR Vedvarende Energi A/S, chairman

SONFOR Resort Varme A/S, chairman

SONFOR Deponi A/S, chairman

SONFOR Spildevand A/S, chairman

SONFOR Genbrug & Affald A/S, chairman

SONFOR Vand A/S, chairman

SONFOR Service A/S, chairman

Brancheforeningen Cirkulær, board member

Specific competences: ESG and governance, macro economics, management and strategy, organisation, communication and marketing



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

Venstres Kommuneformening 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 Organisational Psychology)

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

Sydbank Kreds/Financial Services Union in Denmark, chairman of Sydbank Kreds

Specific competences: Accounting, banking products, credit risks and organisation



Board member

Jørn Krogh Sørensen

Head of Credits

Born: 16 October 1965

Gender: Male

Education: Banking, Graduate Diploma in Business Administration, FU 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 of Directors



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: Member of Risk Committee

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, vice-chairman

Syd Administration A/S, chairman

Foreningen Bankdata, chairman

Finance Denmark, board member

PRAS A/S, board member

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

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



Deputy Group Chief Executive
Stig Westergaard

Born: 9 September 1967

Gender: Male

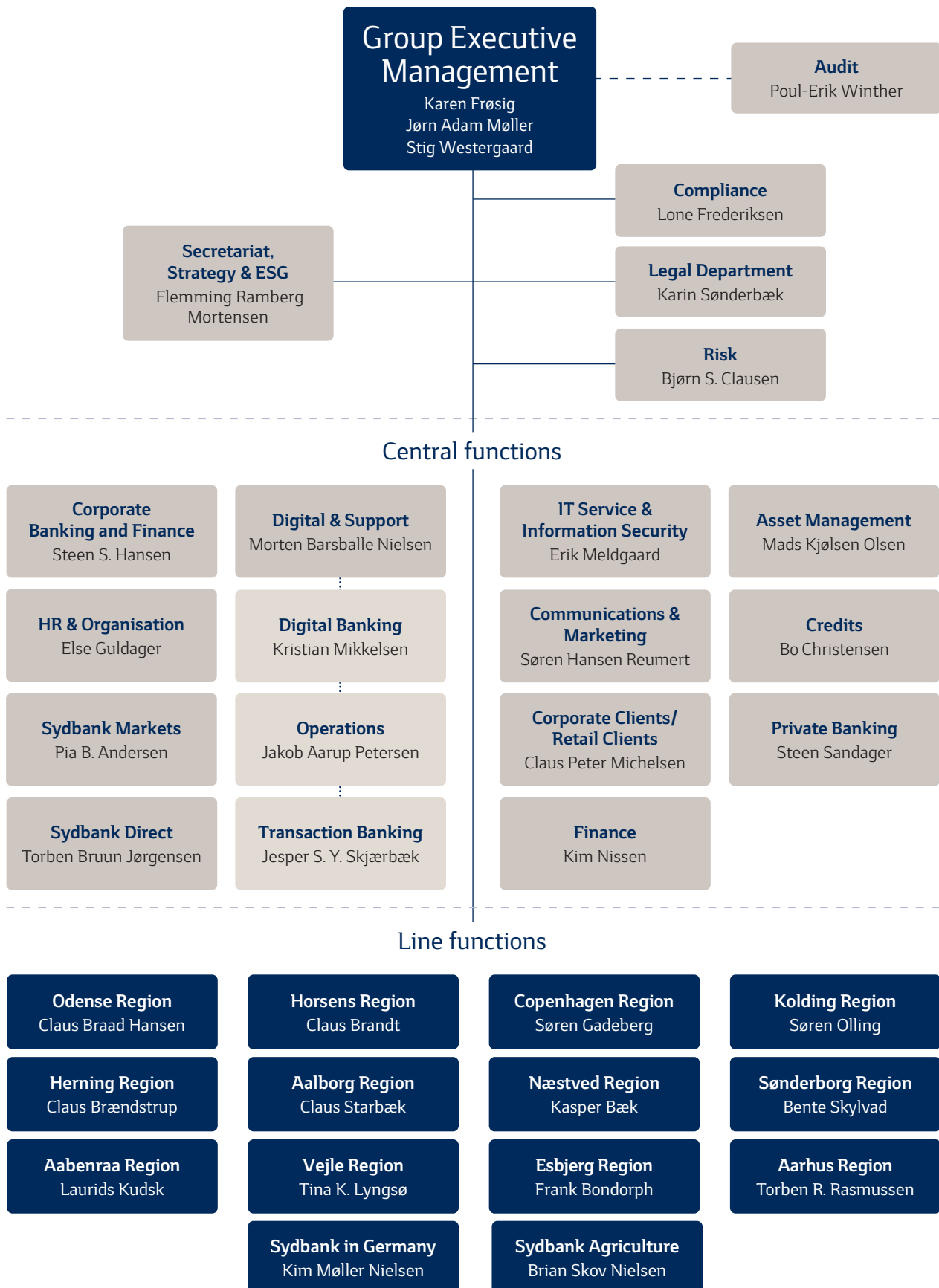
Group Executive Management member since: 2023

Directorships:

Syd Administration A/S, vice-chairman

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

Organisation



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